
STOCK EXCHANGE **EXAMINATION** **MANUAL**

Based on
The Syllabus for Written Examination

NOTE : For detailed syllabus as prescribed,
please see the inner pages.

STOCK EXCHANGE

EXAMINATION

MANUAL

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STOCK EXCHANGE EXAMINATION MANUAL

**Based on
The Syllabus for Written Examination**

***Containing*
Model Question Papers and Answers**

- (i) MULTIPLE CHOICE QUESTIONS**
- (ii) FILL IN THE BLANKS**
- (iii) TRUE AND FALSE QUESTIONS**
- (iv) ONE SENTENCE ANSWERS**

MORE THAN 1700 QUESTIONS

**By
R. K. Jain**

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SYLLABUS FOR THE WRITTEN EXAMINATION FOR MEMBERSHIP OF JAIPUR STOCK EXCHANGE LTD.

- [1] ACTS, RULES & ORDERS**
 - (i) Securities Contracts (Regulation) Act, 1956, and Rules framed thereunder.
 - (ii) Securities and Exchange Board of India Act, 1992
 - (iii) SEBI (Stock Brokers and Sub-Brokers) Rules, 1992
 - (iv) Indian Stamp Act & Companies Act provisions relating to transfer of Shares/Issue of Capital and Listing.
- [2] VARIOUS KINDS OF SECURITIES - DEBTS/EQUITY**
- [3] BRIEF KNOWLEDGE ABOUT INTERMEDIARIES AND INSTITUTIONS IN CAPITAL MARKET, viz. - Merchant Bankers, Registrars & Share Transfer Agents, Brokers, Mutual Fund & Financial Institutions.**
- [4] CAPITAL MARKET IN INDIA - Primary and Secondary - Its working and operations. Number of Recognised Stock Exchanges, procedure for Purchase/Sale of Shares in secondary markets.**
- [5] STOCK PRICES AND INDEX AND FINANCIAL TERMS, viz., Capital Reserves, Fixed Assets, Bonus, Right, Dividends, Company Meetings etc.**
- [6] SECURITY AND INVESTMENT ANALYSIS/FINANCIAL INDICATORS I.e., P. E. Ratios etc., What are the factors causing fluctuations in share prices.**
- [7] PROCEDURE OF SHARE TRANSFER/Endorsement of Calls & Application for New Issues, use of Stock Invest.**
- [8] CURRENT ECONOMIC EVENTS**
- [9] STOCK EXCHANGE TERMINOLOGY viz., Bull/Bear/Contract Note/Settlement Day/Book Closure/Record Date/Ex-dividend/Cum-dividend/Ex-right etc.**

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**(i) SECURITIES CONTRACTS (REGULATION)
ACT, 1956**

(a) MULTIPLE CHOICE QUESTIONS

NOTE - Out of the four options given under every question, only one is correct. Please find which one is correct. For correct answers, please see the Answer Sheet.

Q. 1. In which year the Securities Contracts (Regulation) Act was framed

- Ans.** (A) 1956 (B) 1976
(C) 1986 (D) 1992

Q. 2. What was the main object to frame the Securities Contracts (Regulation) Act, 1956

- Ans.** (A) to prevent undersirable transaction in securities
(B) to control the Stock-Market
(C) to control the Shareholders
(D) All of the above.

Q. 3. In which Area, does the securities contracts (Regulation) Act applicable

- Ans.** (A) whole of India except J & K
(B) whole of India
(C) cities where exchanges are situated
(D) Only Bombay.

Q. 4. On which date the Securities Contracts (Regulation) Act, 1956 came Into force

- Ans.** (A) 20 November, 1956
(B) 20 January, 1957
(C) 20 February, 1957
(D) 24 March, 1957

Q. 5. Securities, Include

- Ans.** (A) shares
(B) shares & debentures
(C) bonds
(D) shares, debentures & bonds

Q. 6. Every application for recognition as stock exchange should be accompanied with

- Ans.** (A) a letter from all the members
(B) a copy of the bye-laws
(C) a sanction from State Govt.
(D) None of the above

Q. 7. The condition which the Central Govt. may prescribe for the grant of recognition of the Stock Exchange may include

- Ans.** (A) the qualification for membership of stock exchanges
(B) the manner in which contracts shall be entered into
(C) the maintenance of accounts.
(D) All of the above.

Q. 8. Every grant of recognition of a Stock Exchange shall be published in

- Ans.** (A) Gazette of India
(B) Official Gazette of the State
(C) Daily Newspaper.
(D) only A & B above

Q. 9. Every recognised Stock Exchange shall maintain books of accounts for a maximum period of

- Ans.** (A) 1 year (B) 2 years
(C) 5 years (D) 7 years

Q. 10. Every recognised Stock Exchange shall furnish an annual report to

- Ans.** (A) RBI
(B) Central Govt.
(C) SEBI
(D) All of them.

Q. 11. Any recognised Stock Exchange may, make bye-laws for the regulation and Control of contracts-

- Ans.** (A) on approval from the Central Govt.
(B) on prior approval of the Securities & Exchange Board of India
(C) on permission from RBI
(D) without taking permission from any body.

Q. 12. The bye-laws may provide for

- Ans.** (A) the opening and closing of markets.
(B) a clearing house for the periodical settlement of contracts
(C) the delivery of and payment for securities
(D) All of the above

Q. 13. The Central Govt. may direct a recognised stock exchange to suspend its business for a maximum period of

- Ans.** (A) 3 days (B) 7 days
(C) 10 days (D) 15 days

Q. 14. On being refused by a Stock Exchange to list, the company may appeal to the Central Govt. against such refusal within

- Ans.** (A) 10 days (B) 15 days
(C) 21 days (D) 30 days

Q. 15. Company under this Act means

- Ans.** (A) a company under the Companies Act
(B) a company whose securities are listed on a recognised stock exchange
(C) a large scale company
(D) None of the above

Q. 16. The company may refuse to register the transfer of any of its securities in the name of the transferee, if

- Ans.** (A) the instrument of transfer is not proper.
(B) the transfer of the securities is in contravention of any law

- (C) the transfer of the security is prohibited by any order of any court
- (D) All of the above

Q. 17. On securities being sold but not lodged with the company for transfer, the benefit of dividend will be given to

- Ans.** (A) the person who has bought the security
 (B) the person who is still registered with the company.
 (C) both of them in equal ratio
 (D) None of them.

Q. 18. In case of declaration of dividend, the transferee may get the dividend if he lodges the security for transfer within

- Ans.** (A) 10 days (B) 15 days
 (C) 21 days (D) 30 days
 of the date on which the dividend became due.

Q. 19. In case of death of the transferer, his legal representative may present his claim for dividend within

- Ans.** (A) 10 days (B) 15 days
 (C) 21 days (D) actual period taken to establish his claim

Q. 20. In case of loss of the transfer deed, the transferee may present his claim for dividend within

- Ans.** (A) 10 days (B) 15 days
 (C) 21 days (D) actual period
 taken for the replacement

Q. 21. This Act is not applied to -

- Ans.** (A) the Government
 (B) the Reserve Bank of India
 (C) any Local Authority
 (D) All of them

Q. 22. Every application for recognition shall be accompanied by -

- Ans.** (A) a copy of bye-laws

- (C) the regulation of the voting rights
- (D) all of the above

Q. 28. The contravention of bye laws render the member concerned liable to punishments of -

- Ans.** (A) fine
(B) expulsions or suspension from membership
(C) None of the above
(D) Both A & B above

Q. 29. On supersession

- Ans.** (A) the members of the governing body cease to hold office as members
(B) the members of the governing body remain members till the pending matters are solved
(C) the status of the members does not affected
(D) None of the above

Q. 30. The Central Govt. can prevent any person in any State or area to enter into any contract for the sale or purchase of any security through

- Ans.** (A) sending a letter to that person
(B) publishing a notification in the official Gazette
(C) putting a notice on the notice board of a Stock Exchange
(D) publishing information in a daily Newspaper

Q. 31. Security means

- Ans.** (A) a fully paid up security of a company whether listed or not
(B) a fully paid up listed security
(C) any security whether fully paid up or not
(D) None of the above

Q. 32. The company should form its opinion, in case of lodging of a security for transfer, to transfer that or not within a period of

- Ans.** (A) 15 days (B) 1 month
(C) 45 days (D) 2 months

Q. 33. The reference is made to the

- Ans.** (A) SEBI (B) RBI
(C) Company Law Board
(D) Central Govt.

Q. 34. Where on a reference the Company Law Board directs that the transfer of the securities need not be registered by the company, the company shall, intimate the transferor and transferee within

- Ans.** (A) 5 days (B) 7days
(C) 9 days (D) 10 days

Q. 35. In case of contravention of any of the provisions of Sec. 22A of the Act, the company & its concerning officer shall be punishable with fine which may extend to

- Ans.** (A) Rs. 1000/- (B) Rs. 2000/-
(C) Rs. 3000/- (D) Rs. 5000/-

Q. 36. Where an offence has been committed the penalty will be imposed on

- Ans.** (A) company
(B) the officer in charge
(C) both above A & B
(D) None of the above

Q. 37. 'Company' means

- Ans.** (A) a body corporate
(B) a firm
(C) association of individuals
(D) all of the above

Q. 38. Any offence punishable under this Act can be tried by

- Ans.** (A) any Court
(B) High Court only
(C) Supreme Court only
(D) a presidency magistrate as a magistrate of the 1st class.

Q. 39. The rules made under this Act by the Central Govt. may provide for

- Ans. (A) the manner in which applications may be made
(B) the particulars which the application should contain
(C) the levy of a fee in respect of such applications
(D) All of the above

Q. 40. Every rule made shall be subject to the condition of

- Ans. (A) approval of the SEBI
(B) publication in the Official Gazette
(C) consent of both the Houses of Parliament while it is in session
(D) B & C above

(b) FILL IN THE BLANKS

NOTE:- Complete the following sentences by filling appropriate words/phrases. For correct answers please see the Answer Sheet.

- (1) Securities Contracts Regulation Act, 1956 was the Act No.....of.....
- (2) Securities Contracts (Regulation) Act, 1956 was framed to undesirable transactions in
- (3) Securities Contracts (Regulation) Act, 1956 came into force on
- (4) This Act to the whole of India
- (5) Under this Act contract means a contract for or relating to the purchase or of Securities.
- (6) Government Securities means a security created and issued by the or for the purpose of raising a public loan.
- (7) Member means a member of a recognised
- (8) Recognised Stock Exchange means a stock exchange which is for the time being recognised by the

- (9)means a contract which provides for the actual delivery of securities and the payment on the same day.
- (10)means any body of individuals, whether incorporated or not, constituted for the purpose of assisting, regulating or controlling the business of
- (11) Any which is desirous of being may make an application in the prescribed manner to the
- (12) Every grant of recognition to a stock exchange shall be published in the
- (13) Recognition of a Stock Exchange shall have effect from the date of its in the
- (14) No application for the grant of recognition shall be refused except after giving an opportunity to the concerned to be heard in the matter.
- (15) Every recognised stock exchange shall furnish to the such relating to its officers as may be prescribed.
- (16) Every recognised stock exchange and every shall maintain and preserve and other documents for such period not exceeding
- (17) The may call upon a recognised stock exchange or any member to furnish in writing or explanation relating to the affairs of the Stock Exchange.
- (18) The SEBI may appoint or persons to make an inquiry in the prescribed manner in relation to the affairs of the of a Stock Exchange.
- (19) Every, manager, or other officer of a stock exchange shall be bound to produce before the inquiry officer all & other related documents.
- (20) Every recognised stock exchange shall furnish to the a copy of the
- (21) A recognised stock exchange may make and any rules made by it to provide these rules to be more effective.

- (22) Any recognised stock exchange may subject to the previous approval of the, make for the regulation and control of contracts.
- (23) No member of a shall in respect of any securities enter into any as a principal with any person other than a of a recognised stock exchange
- (24) No person shall except with the permission of the, organise any contracts in securities.
- (25) Where a recognised stock exchange refuses to list the of any, the company shall be entitled to be furnished with reasons for such
- (26) On refusal, the company can appeal to the against such refusal.
- (27) Where the set aside the decision of the recognised stock exchange or permission, the stock exchange shall act in conformity with the orders of the Central Govt.
- (28) Where an offence has been committed by a every person who, at the time when the offence was committed, was and as well as the shall be deemed to be guilty of the
- (29) No court inferior to that of a or a magistrate of the shall take cognizance of or try any offence punishable under this Act.
- (30) The of this Act shall not apply to the Govt. the Reserve Bank of India, any local authority or any corporation set up by a
- (31) No suit, prosecution or other shall lie in any court against the for any act which was done in or was intended to be done in pursuance of this Act.
- (32) The may, by in the official Gazette, make rules for the purpose of carrying into effect the of this Act.

(c) TRUE & FALSE QUESTIONS

NOTE - Some of the following statements are True and some of them are False. Please find, which are True and which are False. For correct answers, please see the Answer Sheet.

- (1) Securities Contracts (Regulation) Act was passed in the year, 1956.
- (2) Securities Contracts (Regulation) Act was framed to prevent undesirable transactions in securities.
- (3) This Act came into force on 20th Dec. 1957.
- (4) This Act extends to whole of India except Jammu & Kashmir.
- (5) In this Act, 'contract' means a contract for or relating to the purchase or sale of securities.
- (6) 'Government Securities' means a security created and issued by the Central or State Government.
- (7) In this Act a member means a member of a recognised stock exchange.
- (8) recognised stock exchange means a stock exchange recognised by the State Government.
- (9) Securities include shares, scrips, stocks, bonds, debentures or other marketable securities of like nature.
- (10) Spot delivery means actual delivery of securities and the payment of a price on the same day.
- (11) Any stock exchange which is desirous of being recognised may make an application to the SEBI
- (12) Every grant of recognition to a stock exchange shall be published in the Gazette of India.
- (13) No opportunity of being heard will be given to the concerned stock exchange before refusal to grant the recognition
- (14) The Central Government may withdraw the recognition of any stock exchange without giving any notice to that stock exchange.

- (15) Every recognised stock exchange shall furnish to the SEBI such periodical returns relating to its officers as may be prescribed.
- (16) Every recognised stock exchange and every member shall maintain books of account for atleast a period of 10 years.
- (17) The SEBI may appoint one or more persons to make an inquiry in the prescribed manner in relation to the officers of the governing body of a stock exchange.
- (18) The SEBI may call upon a recognised stock exchange or a member to furnish in writing such information relating to the affairs of the stock exchange or of the member.
- (19) Every recognised stock exchange shall furnish the SEBI a copy of annual report.
- (20) A recognised stock exchange cannot make any rules or amend that rules.
- (21) Prior approval of the Central Government is must to make any rules or amend the rules.
- (22) Any recognised exchange may, subject to the previous approval of the State Govt. make bye-laws for the regulation and control of contracts.
- (23) Any bye-laws made, shall be subject to such conditions in regard to previous publication as may be prescribed.
- (24) Bye-laws when approved by SEBI shall be published in the Gazette of India.
- (25) The Central Government can supersede the governing body of a stock exchange without assigning any reason to them.
- (26) The Central Government on supersession may appoint any person or person to exercise all the powers and duties of the governing body.
- (27) The members of the governing body on supersession cease to hold office as such members.
- (28) A member of a recognised stock exchange may in respect of any security enter into a contract with

any person who is not a member of a recognised stock exchange.

- (29) The Central Government may ban or limit the transactions of securities in any area by publishing a notification in the Official Gazette.
- (30) Where a recognised stock exchange acting in pursuance of any power given to its bye-laws, refuses to list the securities of any public company, the company shall be entitled to be furnished with reasons for such refusal.
- (31) A company may refuse to register the transfer of any of its securities in the name of the transferee of the instrument if transfer is not proper.
- (32) If the instrument of transfer is not duly stamped, the company can not refuse the transfer.
- (33) Where an offence has been committed by a company, the company & not its officers shall be deemed to be guilty of the offence.
- (34) The holder of any security whose name appears on the books of the company will be the right person to get the dividend.
- (35) The provisions of this Act also apply to the Government and the Reserve Bank of India.

(d) ONE SENTENCE ANSWER

NOTE - Answer the following questions in one sentence.

Q. 1. In which year the Securities Contracts (Regulation) Act was passed?

Ans. The Securities Contracts (Regulation) Act was passed in the year 1956.

Q. 2. On which date it came into force?

Ans. The Securities Contracts (Regulation) Act, 1956, came into force on 20th February, 1957.

Q. 3. In what area this Act is applicable?

Ans. The Securities Contracts (Regulation) Act, 1956 extends to the whole of India.

Q. 4. What do you mean by a 'Contract'?

Ans. A 'Contract' means a contract for or relating to the purchase or sale of Securities.

Q. 5. What is a 'Government Security'?

Ans. 'Government Security' means a security created and issued by the Central Govt or a State Government for the purpose of raising a public loan.

Q. 6. 'Option in securities' means

Ans. 'Option in Securities' means a contract for the purchase or sale of a right to buy or sell, or a right to buy and sell, securities in future.

Q. 7. Who recognises a stock exchange ?

Ans. The Central government recognises a stock exchange.

Q. 8. 'Securities' include

Ans. Securities include shares, scrips, stocks, bonds, debentures, marketable securities, Government securities and such other instruments as may be declared by the Central Government.

Q. 9. In spot delivery contract what is the procedure for payment ?

Ans. In spot delivery contract the payment of a price of delivered security is made on the day of delivery itself.

Q. 10. What do you mean by a 'Stock Exchange'?

Ans. A stock exchange means any body of individuals, whether incorporated or not, constituted for the purpose of assisting, regulating or controlling the business of buying, selling or dealing in securities.

Q. 11. How does a Stock Exchange gets the recognition ?

Ans. Any Stock Exchange, desirous of being recognised, make an application in the prescribed manner to the Central Government.

Q. 12. What conditions are put by the Central Government to grant the recognition ?

Ans. The Central Government may prescribe the condition for the qualification for membership of stock exchanges, the manner in which contracts shall be entered into and the maintenance of accounts of their members.

Q. 13. On What day a stock exchange actually gets the recognition ?

Ans. The recognition of a stock exchange shall have effect as from the date of its publication in the Gazette of India.

Q. 14. Can the rules of a recognised stock exchange be amended by SEBI ?

Ans. No rules of a recognised stock exchange shall be amended except with the approval of the Central Government.

Q. 15. Can an application for the grant of recognition be refused without any reason ?

Ans. No application for the grant of recognition shall be refused except after giving an opportunity to the stock exchange concerned to be heard in the matter and the reasons for such refusal shall be communicated to the Stock Exchange in writing.

Q. 16. Under what circumstances the Central Government can withdraw the recognition ?

Ans. If the Central Govt. is of opinion that the recognition granted to a stock exchange, in the interest of the trade or in the public interest, be withdrawn, the Central Govt. may serve on the governing body of the stock exchange a written notice that the Central Govt. is considering the

withdrawal of the recognition for the reasons stated in the notice and after giving an opportunity to the governing body to be heard in the matter, the Central Govt. may withdraw by notification in the official Gazette, the recognition granted to the Stock Exchange.

Q. 17. Is there any necessity to keep books of account ready by the stock exchange ?

Ans. Yes, every recognised stock exchange shall maintain & preserve for such periods not exceeding 5 years, such books of account as the Central Govt. may prescribe in the interest of the trade.

Q. 18. Can the recognised stock exchange make the rules independently?

Ans. No, No rules of a recognised stock exchange made or amended, shall have effect until they have been approved by the Central Government and published by the Government in the official Gazette.

Q. 19. Whose previous approval is required by a stock exchange to make bye-laws?

Ans. Any recognised stock exchange may, subject to the previous approval of the securities and Exchange Board of India, make bye- laws for the regulation and control of contracts.

Q. 20. Can a governing body of a recognised stock exchange be superseded?

Ans. Yes, where the Central Govt. is of opinion that the governing body of any stock exchange should be superseded than the Central Government may supersede that governing body.

Q. 21. Give a brief description of supersession procedure.

Ans. On being decided to supersede, the Central Govt. may serve on the governing body a written notice that the Central Govt. is considering the supersession of the governing body for the reasons specified in the notice and after giving an opportunity to the governing body

MODEL QUESTION PAPERS

(ii) SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992

(a) MULTIPLE CHOICE QUESTION

Note:- Out of the four options given under every question, only one is correct. Please find which one is correct. For correct answers, please see the Answer Sheet.

Q. 1. Why the Securities & Exchange Board of India Act, 1992 was framed ?

- Ans.** (A) To protect the interests of investors in securities
(B) To develop the securities market
(C) To regulate the securities market
(D) All of the above

Q. 2. What is the full form of SEBI Act ?

- Ans.** (A) Securities & Equity Board of India Act
(B) Securities Exchange Board of India Act
(C) Securities & Exchange Board of India Act
(D) Settlement & Exchange Board of India Act

Q. 3. In which year the SEBI Act came into force -

- Ans.** (A) 1990 (B) 1991
(C) 1992 (D) 1993

Q. 4. Where does the SEBI Act extends

- Ans.** (A) Whole of India
(B) Only in Cities having Stock exchanges
(C) Delhi & Bombay
(D) Bombay & Ahmedabad

Q. 5. On what date the SEBI Act came into force

- Ans.** (A) 31st December, 1992
(B) 30th January, 1992

- (C) 1st July, 1992
- (D) 30th October, 1992

Q. 6. The Head Quarter of SEBI is situated at

- Ans.** (A) Delhi
(B) Madras
(C) Bombay
(D) Calcutta

Q. 7. How many members constitutes the SEBI

- Ans.** (A) Six (B) Seven
(C) Two (D) Three

Q. 8. What is the penalty for the contravention of any of the provisions of this Act-

- Ans.** (A) for a term which may extend to 2 years imprisonment
(B) for a term which may extend to 1 year imprisonment & with fine
(C) for a term which may extend to 1 year imprisonment or with fine
(D) for a term which may extend to 1 year imprisonment or with fine or with both

Q. 9. Which court can try any offence punishable under this Act

- Ans.** (A) All courts
(B) A metropolitan magistrate
(C) A judicial magistrate of the 1st class
(D) B & C above

Q. 10. Who appoints the Chairman of the SEBI

- Ans.** (A) the Central Government
(B) the Parliamentary Committee
(C) the members of all the Stock Exchanges
(D) the State Government of the State where Board is situated.

Q. 11. Who can remove a member from the office of the Board

- Ans.** (A) the Committee of the Board

- (B) the Central Government
- (C) the State Government
- (D) the Parliamentary Committee

Q. 12. What type of certificate is required by a broker to deal in securities market

- Ans.** (A) certificate of registration
 (B) certificate of sanction
 (C) certificate of authority
 (D) certificate of membership

Q. 13. Who can supersede-

- Ans.** (A) the Board to the Central Government
 (B) the Central Government to the Board
 (C) No one to each other
 (D) Both of them to each other

Q. 14. Appeal against the decision of the Board can be made to

- Ans.** (A) the Supreme Court of India
 (B) High Court of the State
 (C) the Central Government
 (D) the State Government

Q. 15. The SEBI

- Ans.** (A) can establish offices at other places in India
 (B) can establish offices at other places throughout the world
 (C) can not establish offices except its Head Office
 (D) can give authority to some persons in other Cities to work on their behalf.

Q. 16. The Board consist of

- Ans.** (A) A Chairman & two members from amongst the officials of the Ministries of the Central Government
 (B) A Chairman, two members from amongst the officials of the Ministries of the Central Government & one member from amongst the officials of the Reserve Bank of India

- (C) A chairman & two other members appointed by the Central Government
- (D) A Chairman, two members amongst the officials of the Ministries of the Central Govt., one member from amongst the officials of the Reserve Bank of India and two other members appointed by the Central Govt.

Q. 17. The general superintendence, direction and management of the affairs of the Board shall vest in

- Ans.**
- (A) the Chairman
 - (B) one of the member appointed by the Board
 - (C) members appointed by the Central Government
 - (D) Board of members

Q. 18. The Central Government

- Ans.**
- (A) can not terminate the services of the Chairman
 - (B) can terminate the services of the Chairman
 - (C) can terminate only after giving him a notice of not less than three months in writing
 - (D) can replace the Chairman at any time

Q. 19. The Central Government

- Ans.**
- (A) can remove a Member
 - (B) can not remove a Member
 - (C) can remove a member after being provided a reasonable opportunity of being heard
 - (D) can not remove without the sanction of the Board.

Q. 20. If the Chairman is absent

- Ans.**
- (A) the meeting will be dissolved
 - (B) the matters finalised in meeting will be kept pending for the content of the Chairman
 - (C) the matters will be disposed off with majority decision
 - (D) one member will be chosen to work as Chairman in that meeting.

Q. 21. All Questions in meeting are decided by

- Ans.**
- (A) the Chairman
 - (B) mutual consent

- (C) majority votes
- (D) the approval of the Central Government.

Q. 22. In case of equality of votes

- Ans.** (A) Secret voting is done
 (B) casting vote of the Chairman is final
 (C) a general meeting of members is called upon.
 (D) matter is sent to the Central Government.

Q. 23. Any defect in the constitution of the Board

- Ans.** (A) does not invalidate only act done by the Board
 (B) invalidate the working of the board
 (C) requires prior approval of the Central Government
 (D) needs a decision of its members in general meeting

Q. 24. Any vacancy in the Board

- Ans.** (A) makes the board unfit to take any decision
 (B) does not invalidate the board's working
 (C) should be filled prior to the first meeting of the board
 (D) requires the consent of its members

Q. 25. No act or proceeding of the Board shall be invalid only because of

- Ans.** (A) any vacancy in, or, any defect in the constitution of the Board
 (B) any defect in the appointment of a person acting as a member of the Board
 (C) any irregularity in the procedure of the Board not affecting the merits of the case
 (D) all of the above

Q. 26. For the efficient discharge of its functions, the Board

- Ans.** (A) can take as many members as it requires
 (B) can appoint such officers and employees as it consider necessary
 (C) can write to Central Government for appointment of more members
 (D) can call a general meeting of its members.

Q. 27. The Board regulate the working of

- Ans.** (A) Stock Brokers and Sub Brokers
(B) Share Transfer Agents
(C) Merchant Bankers
(D) All of the above.

Q. 28. To work as a Stock Broker, one must

- Ans.** (A) get a letter of authority
(B) receive a permission from the Central Govt.
(C) get a letter of offer from SEBI
(D) obtain a certificate of registration from SEBI

Q. 29. If a person was already dealing in Securities Market, prior to the establishment of the Board, he

- Ans.** (A) does not require any certificate of registration
(B) may continue to do so for a period of 3 months, if he has made an application for such registration, till the disposal of such application
(C) can not work till he gets a certificate of registration
(D) may get a temporary permission from SEBI

Q. 30. The regulations of the Board, prescribes -

- Ans.** (A) the fee
(B) the manner for application for registration
(C) the suspension, or cancellation power
(D) All of the above.

Q. 31. The fund constituted by Board is called

- Ans.** (A) the SEBI's fund
(B) the SEBI's general fund
(C) a fund of SEBI
(D) None of the above

Q. 32. All grants, fees and charges and all sums received by the Board from other sources are

- Ans.** (A) credited in the fund of members
(B) deposited in the Board's office expenses fund
(C) credited in SEBI's general fund
(D) None of the above

Q. 33. The SEBI's general fund is applied for meeting

- Ans.** (A) the salaries & allowances of the officers of the Board
(B) the salaries, allowances & remuneration of the employees other than officers of the Board
(C) the discharge of the functions under sec II of the Act
(D) All of the above

Q. 34. The Board shall maintain proper accounts & other relevant records and prepare an annual statement of accounts in such form as may be

- Ans.** (A) decided in general meeting of its members
(B) prescribed by the RBI
(C) prescribed by the Central Govt. in consultation with the Comptroller and Auditor General of India
(D) decided by the Board

Q. 35. The accounts of the Board shall be audited by

- Ans.** (A) a Chartered Accountant
(B) the member of the co. in general meeting
(C) the comptroller and Auditor General of India
(D) the Reserve Bank of India.

Q. 36. The expense of audit will

- Ans.** (A) not be paid by SEBI
(B) be paid by SEBI
(C) be paid by the Central Govt.
(D) be contributed by the members of the Co.

Q. 37. The comptroller and Auditor General of India may demand

- Ans.** (A) the production of books & accounts
(B) the vouchers
(C) related documents & files
(D) All of the above.

Q. 38. The certified accounts with audit report thereon are forwarded to

- Ans.** (A) the Reserve Bank of India
(B) the Central Govt.

- (C) all the members of the Board
- (D) all the members of the co.

Q. 39. The audited accounts of the Board are laid by the Central Govt. in

- Ans.** (A) Lok Sabha
 (B) Rajya Sabha
 (C) both the Houses of parliament
 (D) No where

Q. 40. The Board is bound by the directions of

- Ans.** (A) the RBI
 (B) the State Govt., where it is situated
 (C) the Central Govt.
 (D) the Comptroller and Auditor General of India.

Q. 41. The Central Govt. may supersede the Board, if

- Ans.** (A) the Board is unable to discharge the functions & duties imposed on it
 (B) the Board has persistently made default in complying with any directions issued by the Central Govt.
 (C) the circumstances exists which render it necessary in the public interest
 (D) All of the above.

Q. 42. On superseding

- Ans.** (A) all the members shall as from the date of Supersession, vacate their offices
 (B) all the powers & duties shall be exercised & discharged by such person as the Central Govt. may direct
 (C) all property owned & controlled by the Board shall vest in the Central Govt.
 (D) All of the above.

Q. 43. On expiration of the period of supersession, the Govt. may reconstitute the Board and the old members

- Ans.** (A) may again be appointed
 (B) will only be re-appointed

- (C) can never be re-appointed
- (D) None of the above.

Q. 44. The Board shall furnish to the Central Govt., such returns & statements

- Ans.** (A) once in 6 months
 (B) once in a year
 (C) on demand by the Central Govt.
 (D) at such time as may be prescribed.

Q. 45. The Board shall submit to the Central Govt. a report giving a true & full account of its activities, after the end of each financial year within

- Ans.** (A) 15 days (B) 30 days
 (C) 45 days (D) 60 days

Q. 46. Any person aggrieved by an order of the Board may prefer an appeal to

- Ans.** (A) the Board itself
 (B) the RBI
 (C) the High Court
 (D) the Central Govt.

Q. 47. All members, officers and other employees of the Board shall be deemed as

- Ans.** (A) private servants of the Board
 (B) public servants as Central Govt. employees
 (C) public servants within the meaning of section 21 of IPC
 (D) State Govt. servant

Q. 48. The regulations made by the Board may provide for

- Ans.** (A) the times & places of meetings of the Board and the procedure to be followed in such meetings
 (B) the terms and other conditions of service of officers & employees of the Board
 (C) the amount of fee to be paid for registration certificate
 (D) All of the above.

Q. 49. Every Rule & Regulation made is laid before

- Ans.** (A) the Lok Sabha
(B) the Rajya Sabha
(C) the RBI
(D) both the Houses of Parliament

Q. 50. When the offence under this Act has been committed by a company

- Ans.** (A) only company will be responsible
(B) all the members of the co. will be responsible
(C) the Board of Directors will be responsible
(D) every person who at the time of Commitment of offence was in charge of and company as well will be responsible.

(b) FILL IN THE BLANKS

NOTE - Complete the following sentences by filling appropriate words/phrases. For correct answers please see the answer sheet.

- (1) Securities and Exchange Board of India Act, 1992 was framed for the establishment of a to protect the interests of and to the securities market.
- (2) Securities and Exchange Board of India Act, 1992 to whole of India.
- (3) Securities and Exchange Board of India Act, 1992 came into force on
- (4) Means the Securities and Exchange Board of India.
- (5) Chairman means the Chairman of the
- (6) The head quarter of SEBI is situated at
- (7) members constitutes the SEBI
- (8) A & a magistrate can try any offence punishable under this Act.
- (9) The appoints the chairman of the

- (10) The Central Government can remove a of the SEBI
- (11) A is necessary for a person to deal in securities.
- (12) The Board may establish officials at in India.
- (13) The Central Government shall have the right to the services of the Chairman.
- (14) The Board shall meet at such and as may be provided by
- (15) All questions which come up before any meeting of the Board shall be decided by a of the members present.
- (16) The Board may appoint such other and as it considers necessary.
- (17) Every application for registration shall be in such and on payment of such as may be by regulations.
- (18) The Board may by order or a certificate of registration in such manner as may be determined by
- (19) No order of or cancellation of a certificate of registration shall be made unless the person concerned has been given a opportunity of being heard.
- (20) The Board shall maintain proper and other relevant
- (21) The Board shall prepare an statement of
- (22) The of the Board shall be by the comptroller and Auditor General of India.
- (23) The of the Central Government whether a question is one of or not, shall be final.
- (24) The may, by notification, the board for such period not exceeding as may be specified in the notification.
- (25) All the shall as from the date of vacate their offices.

- (26) All property or controlled by the Board shall until the Board is..... vest in the
- (27) The Board shall furnish to the at such time and in such and as may be prescribed.
- (28) Any person by an order of the may prefer an appeals to the
- (29) No appeals shall be if it is preferred after the expiry of the period prescribed.
- (30) No Court inferior to that of or a of the first class shall try any offence punishable under this Act.
- (31) The may, by notification, make rules, for carrying out the of this Act.
- (32) The may with the previous approval of the by notification, make regulations.
- (33) Every rules and regulation made under this Act shall be laid, before each
- (34) To work as a one must obtain a certificate of registration from
- (35) The fund constituted by the is called the SEBI's
- (36) All, and and all sums received by the Board from other sources are credited in SEBI's
- (37) The expenses of audit will be paid by
- (38) The certified Accounts of the SEBI with are forwarded to the
- (39) All members, officers and other employees of the Board shall be deemed as public
- (40) If the Chairman is absent, the meeting will be headed by a selected to work as a

(c) TRUE AND FALSE QUESTIONS

NOTE - Some of the following statements are True and some of them are False. Please find, which are True and which are False for the correct answer, please see the Answer Sheet.

- (1) Securities and Exchange Board of India Act was framed in the year, 1992.
- (2) Securities and Exchange Board of India Act came into force on 30th December, 1992
- (3) The SEBI Act extends to the whole of India except Jammu and Kashmir.
- (4) This Act was framed to deload the work of the Central Government.
- (5) The Chairman of the SEBI is appointed by the Central Govt.
- (6) The Board is a body corporate by the name (SEBI) having perpetual succession and a common seal.
- (7) The Head office of the SEBI is situated at Delhi.
- (8) The Board can establish offices at other places in India.
- (9) The Board consists 6 members.
- (10) Three members of the SEBI are from amongst the officials of the ministries of the Central Govt.
- (11) Two Members in SEBI are appointed by the Central Government.
- (12) One member is appointed amongst the officials of the Reserve Bank of India.
- (13) The Central Govt. can remove a member from office if he is of unsound mind.
- (14) The Board shall meet at such places & times as decided by the Board of Directors.
- (15) If the Chairman is absent, the meeting will be dissolved without any proceedings.
- (16) All questions in the meeting shall be decided by majority vote.

- (17) The Board cannot appoint such other officers and employees as it considers necessary.
- (18) A certificate of registration is necessary for a person to work as a stock broker.
- (19) Every application for registration shall be in such manner and on payment of such fees as may be determined by regulations.
- (20) The Board cannot suspend or cancel a certificate of registration without the prior permission for the Central Govt.
- (21) All grants, fees and charges shall be credited in the SEBI's General Fund.
- (22) The SEBI's General Fund shall be applied for meeting the salaries, allowances and other remunerations of the officers and employees of the Board.
- (23) The Board shall maintain proper accounts & other relevant records.
- (24) The account of the Board shall be audited by a Chartered Accountant.
- (25) The Central Government may by notification, supersede the Board for such period not exceeding 12 months.
- (26) All the members, shall as from the date of supersession vacate their offices.
- (27) All property owned or controlled by the Board shall until the Board is reconstituted vest in the Central Government.
- (28) Any person aggrieved by an order of the Board, may prefer appeals to the Supreme Court.
- (29) No Court inferior to that of a metropolitan magistrate or a Judicial Magistrate of the 1st Class shall try any offence punishable under this Act.
- (30) The Board may make regulations without obtaining permission from the Central govt.
- (31) Every rule & regulation made under this Act shall be laid before each House of parliament.

- (32) The Central Govt. can remove a member from the Board without giving him a reasonable opportunity.
- (33) In case the Chairman of the Board is absent, the meeting of the Board shall be adjourned for next date.
- (34) In case of equality of votes, the matter will be decided by the Court.
- (35) Any defect in the constitution of the Board does not invalidate any act done by the Board.
- (36) Any vacancy in the Board invalidate the Board is working.
- (37) The regulations of the Board prescribes only the fee.
- (38) The expenses of audit shall be paid by the SEBI
- (39) The certified accounts with audit report are forwarded to RBI
- (40) The Board is bound by the directions of the Central Govt.

(d) ONE SENTENCE ANSWERS

NOTE:- Answer the following questions in one sentence.

Q. 1. The full form of SEBI is

Ans. The Securities and Exchange Board of India.

Q. 2. In which year the SEBI Act was framed.

Ans. The Securities and Exchange Board of India Act, was framed in the year, 1992.

Q. 3. What is the main object behind the formation of the Securities and Exchange Board of India Act, 1992.

Ans. The SEBI Act, 1992 was framed with the object to provide for the establishment of a Board to protect the interests of investors in securities and to promote the development of, and to regulate the Securities market and for matters connected therewith.

Q. 4. Till where the SEBI Act extends ?

Ans. The Securities and Exchange Board of India Act, 1992 extends to the whole of India.

Q. 5. What is the definition of the Board under the Act.

Ans. The SEBI Act defines 'Board' means the Securities and Exchange Board of India established under section 3.

Q. 6. What does the 'existing securities and Exchange Board' means

Ans. The existing securities and Exchange Board means the Securities and Exchange Board of India constituted under the resolution of the Government of India in the Department of Economic Affairs No. 1(44) SE 186, dated the 12th April, 1988.

Q. 7. In which city, the SEBI's Head office is situated ?

Ans. The Head office of SEBI is situated at Bombay.

Q. 8. Can the SEBI, establish its offices in other cities ?

Ans. Yes, SEBI can establish its offices in other cities of India.

Q. 9. How many members constitutes a Board ?

Ans. A Board shall consist of 6 members.

Q. 10. How many members are appointed from the officials of ministries of the Central Govt.

Ans. Two members are appointed from amongst the officials of the ministries of the Central Govt dealing with Finance & law.

Q. 11. Define the term of office and other conditions of service of SEBI

Ans. The term of the office and other conditions of service of the chairman and the members shall be such as may be prescribed by the regulation.

Q. 12. On what grounds, the Central Govt. can remove a member from the office ?

Ans. The Central Govt. can remove a member from office if he is, or at any time has been adjudicated as insolvent or is of unsound mind or has been convicted of an offence or is appointed a director of a company.

Q. 13. Where and when does the Board meets ?

Ans. The Board shall meet at such times and places as may be provided by regulations

Q. 14. What happens if the Chairman is absent in meeting?

Ans. The Chairman if unable to attend a meeting of the Board, any other member chosen by the members present from amongst themselves at the meeting, shall preside at the meeting.

Q. 15. In what manner, the questions raised at the meeting are solved?

Ans. All questions which come up before any meeting of the Board, are decided by a majority votes of the members present and in the event of an equality of votes, the Chairman shall have a second or casting vote.

Q. 16. If a seat is vacant in the Board, what is the impact of it on the Board

Ans. No act or proceeding of the Board shall be invalid if any vacancy exists in the Board.

Q. 17. Can the Board appoint officers and employees independently ?

Ans. Yes, the Board may appoint such other officers and employees as it considers necessary for the efficient discharge of its functions.

Q. 18. How does the term and other conditions of service are determined?

Ans. The term and other conditions of service of officers and employees of the Board are determined by regulations of the Board.

Q. 19. What is needed for a person to work as a stock Broker ?

Ans. No person can work as a Stock Broker until & unless he has obtained a certificate of registration from SEBI.

Q. 20. Where does the appeal against the decision of the Board is made?

Ans. Any person aggrieved by an order of the Board may prefer an appeal to the Central Govt within such time as may be prescribed.

Q. 21. What is the penalty for the contravention of the provisions of the Act ?

Ans. Whoever contravene or attempts to contravene any of the provisions of the Act, shall be punishable with imprisonment for a term which may extend to one year or with fine or with both.

Q. 22. Who can try the offence punishable under this Act?

Ans. No Court inferior to that of a metropolitan magistrate or a judicial magistrate of the first class shall try any offence punishable under the Act.

Q. 23. Can the Board make its own regulations ?

Ans. The Board may, with the previous approval of the Central Govt., by notification, make regulations to carry out the purpose of this Act.

Q. 24. Who audits the accounts of the Board ?

Ans. The accounts of the Board are audited by the comptroller and Auditor General of India.

Q. 25. Define the role of the Central Govt. on the SEBI

Ans. The Board shall in exercise of its powers or the performance of its functions under this Act, be bound by such directions on questions of policy as the Central Govt. may give in writing to it from time to time.

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MODEL QUESTION PAPERS

(iii) SEBI (STOCK BROKERS & SUB-BROKERS) RULES, 1992

(a) MULTIPLE CHOICE QUESTIONS

NOTE:- Out of the four options given under every question, only one is correct. Please find which one is correct. For correct answers, please see the Answer Sheet.

Q. 1. Rules for stock brokers & Sub-Brokers were framed in the year-

Ans. (A) 1990 (B) 1991
(C) 1992 (D) 1993

Q. 2. Full form of the stock brokers & sub-brokers rules is.

Ans. (A) SEBI (Brokers & Sub-Brokers) Rules, 1992
(B) Securities & Exchange Board of India (Brokers & Sub-Brokers) Rules, 1992
(C) Securities & Exchange Board of India (Stock Brokers and Sub-Brokers) rules, 1992
(D) Securities and Exchange Board of India (Brokers) Rules, 1992

Q. 3. The securities & exchange board of India (stock brokers and sub-brokers) Rules, 1992, were pub in Gaz. of India on dated.

Ans. (A) 10 August, 1992
(B) 15 September, 1992
(C) 20 November, 1992
(D) 20 August, 1992

Q. 4. Stock-Broker means

Ans. (A) A member of SEBI
(B) A member of Brokers Association

- (C) A member of a recognised stock exchange
- (D) None of the above

Q. 5. Stock Exchange means

- Ans.** (A) A stock exchange recognised by SEBI
 (B) A stock exchange recognised by Central Govt. under Securities contracts (Regulation) Act, 1956
 (C) A stock exchange recognised by RBI
 (D) All of the above

Q. 6. Sub-Broker means

- Ans.** (A) An assistant of a stock broker
 (B) A person not being a member of a stock exchange acts on behalf of a stock broker as an agent.
 (C) An employee of a stock broker
 (D) None of the above

Q. 7. No stock broker or sub-broker shall buy, sell, deal in securities, unless

- Ans.** (A) Received an assent from the RBI
 (B) Received a permission from the central Govt.
 (C) Holds a certificate of registration from SEBI
 (D) Holds permission from a stock exchange

Q. 8. Securities and Exchange board of India (Stock-Brokers and sub-brokers) Regulations, 1992 were pub. in Gaz. of India on dated-

- Ans.** (A) 20 August, 1992
 (B) 30 September, 1992
 (C) 23 October, 1992
 (D) 13 November, 1992

Q. 9. Enquiry officer means

- Ans.** (A) An officer of RBI
 (B) An officer of the board
 (C) An officer of the Central Govt.
 (D) An officer of the State Govt.

Q. 10. Application for grant of certificate by a stock-broker shall be made in.

- Ans.** (A) Form No.1 (B) Form A

(C) Form B (D) Form No. 2

Q. 11. Application for grant of certificate by a stock broker should be made through-

- Ans.** (A) A stock member
(B) A schedule Bank
(C) Any stock exchange
(D) A stock exchange of which he is a member

Q. 12. The stock exchange shall forward the application form to the board not later than-

- Ans.** (A) 30 Days (B) 45 Days
(C) 60 Days (D) 90 Days

Q. 13. The board may require the applicant to

- Ans.** (A) Submit a fee.
(B) Submit a certificate of his being a member of a stock exchange
(C) Submit such further information as required
(D) None of the above

Q. 14. If required the applicant will

- Ans.** (A) Appear before the board
(B) Present his representation
(C) Present documents of evidence
(D) All of the above.

Q. 15. The board shall take into account, whether

- Ans.** (A) The applicant is a broker or not
(B) The applicant is a national
(C) The applicant is eligible to be admitted as a member of a stock exchange
(D) None of the above

Q. 16. A share broker to get the registration of certificate should

- Ans.** (A) be eligible to be admitted as a member of a stock exchange
(B) have past experience in the business of buying selling & dealing in securities.
(C) have the necessary infrastructure

(D) All of the above

Q. 17. The board on being satisfied grant a certificate of registration in-

Ans. (A) Form A (B) Form B
(C) Form C (D) Form D

Q. 18. The refusal to grant the registration should be, Communicated within-

Ans. (A) 15 Days (B) 30 Days
(C) 45 Days (D) 60 Days

Q. 19. An applicant may, being aggrieved by the decision of the board apply to board for reconsideration of its decision within-

Ans. (A) 15 Days (B) 25 Days
(C) 30 Days (D) 45 Days

Q. 20. The board shall

Ans. (A) reconsider an application
(B) Not reconsider an application
(C) Reconsider only after in consultation with the concerning stock exchange
(D) Not reconsider if not accompanied with the approval of stock exchange

Q. 21. On refusal

Ans. (A) The applicant should stop the trading in securities
(B) The applicant ceases to be a member of a stock exchange
(C) A & B above
(D) None of the above

Q. 22. Every applicant eligible for grant of a certificate shall pay such fees and in such manner as specified in

Ans. (A) Schedule I
(B) Schedule III
(C) Schedule V
(D) Schedule X

Q. 23. If the board on sufficient cause being shown permit the stock broker to pay such fees at any time before the expiry of

Ans. (A) 3 Months (B) 6 Months
(C) 9 Months (D) 12 Months

Q. 24. On failure to pay fee, the registration of a stock broker

Ans. (A) is suspended
(B) is suspended temporarily
(C) is not affected
(D) None of the above

Q. 25. An application by a sub-broker for the grant of certificate is made in.

Ans. (A) Form A (B) Form B
(C) Form C (D) Form D

Q. 26. The application for registration of sub-broker shall be accompanied by-

Ans. (A) A consent from RBI
(B) an approval from stock exchange
(C) A recommendation letter from a stock broker
(D) A certificate from a chartered accountant

Q. 27. The application form for registration of a sub-broker will be submitted to-

Ans. (A) SEBI
(B) RBI
(C) Central Government
(D) Stock exchange of which the share broker with whom he is affiliated is a member

Q. 28. The applicant for the registration should

Ans. (A) be not less than 21 years of age
(B) not has been convicted of any offence involving fraud or dishonesty
(C) have passed atleast 12th standard or egeivalent examination.
(D) All of the above

Q. 29. The stock exchange shall forward the application form within-

Ans. (A) 15 Days (B) 20 Days
(C) 30 Days (D) 40 Days

Q. 30. The certificate of registration for a sub-broker will be granted in.

Ans. (A) Form A (B) Form D
(C) Form E (D) Form F

Q. 31. The refusal to grant the certificate shall be communicated by the board within-

Ans. (A) 30 Days (B) 45 Days
(C) 60 Days (D) 90 Days

Q. 32. An applicant being aggrieved by the decision of the board may apply to the board for reconsideration of its decision within-

Ans. (A) 10 Days (B) 15 Days
(C) 20 Days (D) 30 Days

Q. 33. The board

Ans. (A) shall not reconsider an application
(B) shall reconsider the application
(C) shall reconsider the application if stock exchange recommends it
(D) None of the above

Q. 34. The sub broker shall.

Ans. (A) pay the fees as specified in schedule III
(B) Abide by the code of conduct specified in schedule II
(C) Enter in to an agreement with the stock broker for specifying the scope of his authority
(D) All of the above

Q. 35. Every stock broker shall keep.

Ans. (A) A record of his client.
(B) Books of accounts
(C) Records & documents
(D) All of the above

Q. 36. Every stock broker shall intimate to the board the place where.

- Ans.** (A) Books of accounts are kept
(B) Records are kept
(C) Documents are maintained
(D) All of the above.

Q. 37. Every stock broker shall after the close of each accounting period furnish to the board, a period of the auditor balance sheet and profit & loss account, not later than.

- Ans.** (A) 10 Days (B) 2 Months
(C) 3 Months (D) 6 Months

Q. 38. Every stock broker shall preserve the books of accounts for a minimum period of

- Ans.** (A) 1 Year (B) 2 Years
(C) 5 Years (D) 7 Years

Q. 39. The board may -

- Ans.** (A) instruct the share broker to appoint a chartered Accountant
(B) appoint one or more persons as inspecting authority
(C) Instruct the stock exchange to inspect the accounts of stock broker
(D) None of the above

(b) FILL IN THE BLANKS

NOTE - Complete the following sentences by filling appropriate words/phrases. For correct answers please see the Answer Sheet.

- (1) Securities and Exchange Board of India (..... and) Rules, were framed in the year, 1992.
- (2) Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Rules, 1992 were published in on dated

- (3) SEBI (Stock Brokers and Sub-Brokers) Rules, 1992 came into force on dated
- (4)means the Securities and Exchange Board of India Act, 1992.
- (5) Certificate means a certificate of issued by the
- (6) Stock Exchange means a Stock Exchange which is for the time being recognised by the
- (7) No or shall buy, sell, deal in securities unless he holds a granted by the Board.
- (8) The Board may grant a certificate to a Stock Broker if he holds the of any stock exchange.
- (9) A Stock Broker to get a certificate will have to pay the amount of for in the manner provided in the regulations.
- (10) The member shall take adequate steps for or of the investors within of the date of the of the complaint.
- (11) Securities and Exchange Board of India (Stock-Brokers and Sub-Brokers) Regulations were framed in the year
- (12) Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations came into force on dated
- (13) means any officer of the Board, by any other person having experience in dealing with the problems relating to the market, who is appointed by the
- (14) 'Small Investor' means any investor buying or selling securities on a cash transaction for a market value not exceeding rupees in aggregate on any day.
- (15) An application by a for grant of a certificate shall be made in
- (16) The application by a stock-broker for the of a shall be made through a or as the case may be, of which he is admitted as a member.

- (17) The stock exchange shall the application form to the board as as possible but not later than from the date of its receipt.
- (18) The Board may require the applicant to furnish such further or as it deems necessary.
- (19) The Board shall before granting a certificate shall see that the is eligible to be admitted as a of a
- (20) The applicant has the necessary infrastructure like, equipments and to effectively discharge his activities.
- (21) The Board on being satisfied, shall grant a certificate in to the Stock Broker.
- (22) The Stock broker holding a certificate shall all times abide by the as specified at
- (23) Where an for grant of a certificate does not fulfill the the Board may reject the application- after giving a opportunity of being heard.
- (24) The to grant the registration certificate shall be communicated by the Board within of such refusal to the concerned stock exchange.
- (25) An applicant may, being by the decision of the Board, apply within a period of from the date of receipt of such intimation, to the for reconsideration of its decision.
- (26) Every eligible for grant of a certificate shall pay such fees and in such manner as specified in
- (27) An application by a for the grant of a certificate shall be made in Form B.
- (28) The application for registration as a sub-broker shall be accompanied by a from a of a recognised stock exchange.
- (29) The stock exchange shall forward the application forms within to the
- (30) The Board on being satisfied shall grant a certificate in to the sub-broker.

- (31) The refusal to grant the certificate shall be communicated by the Board within of such refusal to the concerned
- (32) An being aggrieved, may within a period of from the date of receipt of such intimation apply to the Board for of its decision
- (33) The sub-broker shall pay the as specified in
- (34) The shall abide by the code of conduct as specified in
- (35) Every shall keep and the books of accounts, and documents.
- (36) Every stock broker shall intimate to the Board the where the books of accounts, records and are maintained.
- (37) Every stock broker shall preserve the books of account for a minimum period of
- (38) If the stock broker the provision of the Act, Rules and Regulation, a penalty of of registration of a stock-broker may be imposed.
- (39) If the stock-broker violates any provision of, a penalty of cancellation of registration of a stock-broker may be imposed.
- (40) Any person aggrieved by an of the Board may prefer an to the

(c) TRUE AND FALSE QUESTIONS

NOTE - Some of the following statements are True and some of them are False. Please find which are True and which are False. For the correct answers, please see the Answer Sheet.

- (1) Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Rules were framed in 1992.
- (2) Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Rules came into force on dated 20th July, 1992.

- (3) Stock Exchange means a Stock Exchange recognised by the State Govt.
- (4) Sub-broker means any person not being a member of a stock exchange.
- (5) No stock-broker or sub-broker shall buy, sell or deal in securities unless he holds a certificate granted by the Board.
- (6) The Board may grant a certificate to a stock-broker if he is not a recognised member of a Stock Exchange.
- (7) The Stock broker to get a certificate shall be abide by the rules, regulations and bye-laws of the stock exchange.
- (8) In case of any change in the status and constitution, the prior permission of the Board is not necessary.
- (9) To get a certificate, the sub-broker shall pay the fees in the manner provided in the regulations.
- (10) In case of any change in the status and constitution, the sub-broker shall obtain prior permission of the Board to continue to buy, sell or deal in securities in any stock exchange.
- (11) Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations were framed in 1993.
- (12) Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations came into force on dated 23rd Nov., 1992
- (13) Inspecting authority means one or more persons appointed by the Board.
- (14) An applicant for the grant of a certificate shall send his application directly to the Board.
- (15) The Stock Exchange shall forward the application form to the board not later than 30 days from the date of receipt.
- (16) The Board may require the applicant to furnish his Income Tax Returns of last 5 years.
- (17) The Board on being satisfied that the stock broker is eligible shall grant a certificate in Form D.

- (31) The refusal to grant the certificate shall be communicated by the Board within of such refusal to the concerned
- (32) An being aggrieved, may within a period of from the date of receipt of such intimation apply to the Board for of its decision
- (33) The sub-broker shall pay the as specified in
- (34) The shall abide by the code of conduct as specified in
- (35) Every shall keep and the books of accounts, and documents.
- (36) Every stock broker shall intimate to the Board the where the books of accounts, records and are maintained.
- (37) Every stock broker shall preserve the books of account for a minimum period of
- (38) If the stock broker the provision of the Act, Rules and Regulation, a penalty of of registration of a stock-broker may be imposed.
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- (6) The Board may grant a certificate to a stock-broker if he is not a recognised member of a Stock Exchange.
- (7) The Stock broker to get a certificate shall be abide by the rules, regulations and bye-laws of the stock exchange.
- (8) In case of any change in the status and constitution, the prior permission of the Board is not necessary.
- (9) To get a certificate, the sub-broker shall pay the fees in the manner provided in the regulations.
- (10) In case of any change in the status and constitution, the sub-broker shall obtain prior permission of the Board to continue to buy, sell or deal in securities in any stock exchange.
- (11) Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations were framed in 1993.
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- (13) Inspecting authority means one or more persons appointed by the Board.
- (14) An applicant for the grant of a certificate shall send his application directly to the Board.
- (15) The Stock Exchange shall forward the application form to the board not later than 30 days from the date of receipt.
- (16) The Board may require the applicant to furnish his Income Tax Returns of last 5 years.
- (17) The Board on being satisfied that the stock broker is eligible shall grant a certificate in Form D.

- (18) The stock broker holding a certificate shall all times abide by the code of conduct as specified in Schedule II.
- (19) The Board may reject any application without assigning any reason.
- (20) The refusal to grant the registration certificate shall be communicated by the Board within 30 days of such refusal.
- (21) An applicant on being aggrieved by the decision of the Board, may apply within a period of 45 days from the date of receipt of such intimation.
- (22) Every applicant eligible for grant of certificate shall pay such fees as specified in Schedule III.
- (23) Where a Stock Broker fails to pay the fees, the Board may suspend the registration.
- (24) An application by a sub-broker for the grant of a certificate shall be made in Form A.
- (25) The application for registration shall be accompanied by a recommendation letter from a stock broker of a recognised stock exchange.
- (26) The application form shall be submitted directly to the Board.
- (27) To eligible, one should not be less than 21 years of age.
- (28) The Board on being satisfied that the sub-broker is eligible, shall grant a certificate in Form E to the sub-broker.
- (29) The Board may reject the application without assigning any reason.
- (30) The refusal to grant the certificate shall be communicated by the Board within 30 days of such refusal.
- (31) An applicant being aggrieved by the decision of the Board, may within a period of 30 days from the date of receipt of such intimation, apply to the Board for reconsideration of its decision.
- (32) A person is not ceased to deal in security market only if he has been refused certificate of registration.

- (33) The sub-broker shall pay the fees as specified in Schedule III.
- (34) The sub-broker shall enter into an agreement with the stock broker for specifying the scope of his authority & responsibility.
- (35) No books of accounts are kept by any sub-brokers.
- (36) Every stock broker shall preserve the books of account for a minimum period of 5 years.
- (37) It shall be the duty of every director to produce all the books of account as & when demanded by the inspecting authority.
- (38) The Board shall on receiving the inspection report, cease the membership of that broker, without assigning any reason.
- (39) A penalty of suspension of registration of a stock broker may be imposed if the stock broker violates the provisions of the Act.
- (40) A penalty of cancellation of registration of a stock broker may be imposed if the stock broker violates any provisions of insider trading regulation.
- (41) The enquiry officer shall issue a notice to the stock broker at the registered office of that inquiry officer.
- (42) The enquiry officer shall not give an opportunity of being heard to a stock broker.
- (43) On receipt of the report from the enquiry officer, the Board shall consider the same and issue a show cause notice.
- (44) On and from the date of the suspension of the stock broker, he shall cease to buy, sell or deal in securities.
- (45) The order of suspension need not be published in any Newspaper.
- (46) Any person aggrieved by an order of the Board, may prefer an appeal to the Central Government.

(d) ONE SENTENCE ANSWERS

NOTE:- Answer the following questions in one sentence.

Q. 1. In which year the rules for Stock-Brokers and Sub-Brokers were framed?

Ans. In the year 1992 the rules for the Stock Brokers and Sub-Brokers were framed.

Q. 2. What is the name of the rules for Brokers & Sub-Brokers?

Ans. The Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Rules, 1992 are the rules framed for Brokers & Sub- Brokers.

Q. 3. On which date the rules for Brokers and Sub-Brokers came into force ?

Ans. The Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Rules, 1992 came into force on dated 20th August, 1992.

Q. 4. What Is a Sub-Broker?

Ans. A Sub-Broker means any person not being a member of a Stock Exchange who acts on behalf of a stock broker for assisting the investors in buying, selling, or dealing in securities through such stock broker.

Q. 5. Define the 'Stock-Broker'

Ans. A Stock Broker means a member of a recognised Stock Exchange.

Q. 6. What is needed for a stock broker to deal in securities?

Ans. No stock borker or sub-broker shall buy, sell or deal in securities unless he holds a certificate granted by the SEBI under the regulations.

- Q. 7. On what conditions the Board may grant a certificate to a stock broker?**
- Ans.** The Board may grant a certificate to a stock broker if he holds the membership of any stock exchange, he shall abide by the rules, regulations and bye-laws of the stock exchange, he shall pay the amount of fee for registration, he shall take adequate steps for redressal or grievances of the investors and in case of any change in the status and constitution he shall obtain prior permission of the Board to continue to buy, sell or deal in securities.
- Q. 8. On what conditions the Board may grant a certificate to a sub-broker?**
- Ans.** The Board may grant a certificate to a sub-broker only if he shall pay the fees, he shall take adequate steps for redressal or grievances of the investors, he is authorised in writing by a stock broker for affiliating himself in buying, selling or dealing in securities and in case of change in the status and constitution he shall obtain prior permission of the Board to continue to buy, sell or deal in securities.
- Q. 9. What is the full form of regulation framed for stock-brokers and sub-brokers?**
- Ans.** The securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations 1992. is the full form of regulations passed for Brokers & Sub-Brokers.
- Q. 10. On which date the regulations for Brokers and Sub-Brokers came into force?**
- Ans.** The regulations for brokers and sub-brokers came into force on dated 23rd Oct, 1992.
- Q. 11. Who is an enquiry officer under the regulations?**
- Ans.** 'Enquiry officer' means any officer of the Board or any other person, having experience in dealing with the problems relating to the securities market.

Q. 23. How much fees is paid by a stock broker after being found eligible for grant of a certificate?

Ans. Every applicant eligible for grant of a certificate shall pay such fees and in such manner as specified in schedule III of the regulation.

Q. 24. What is the effect of non-payment of fees?

Ans. When a stock broker fails to pay the fees, the Board may suspend the registration certificate where upon the stock broker shall cease to buy, sell or deal in securities as a stock broker.

Q. 25. In which form an application by a sub-broker shall be made?

Ans. An application by a sub-broker for the grant of a certificate shall be made in Form B.

Q. 26. What should be accompanied with the application by a sub broker?

Ans. The application for registration shall be accompanied by a recommendation letter from a stock broker of a recognised stock exchange along with two references including one from his banker.

Q. 27. To whom the application by a sub-broker shall be submitted?

Ans. The application form by a sub-broker shall be submitted to the stock exchange of which the stock broker with whom he is affiliated is a member.

Q. 28. What is the eligibility criteria for registration as a sub-broker?

Ans. The applicant should not be less than 21 years of age, he has not been convicted of any offence involving fraud or dishonesty & has passed atleast 12th Standard examination.

Q. 29. Define the procedure for registration as a sub-broker?

Ans. The Board on being satisfied that the sub-broker is eligible, shall grant a certificate in Form E to the sub-broker and send an intimation to that effect to the stock exchange.

Q. 30. Define the procedure of intimation where registration is not granted to a sub-broker?

Ans. When an application for grant of a certificate does not fulfill the requirement, the Board may reject the application after giving a reasonable opportunity of being heard & the refusal to grant the certificate shall be communicated by the Board within 30 days of such refusal to the concerned stock exchange and to the applicant stating therein the grounds on which the application has been rejected.

Q. 31. Within how many days an application for reconsideration can be made?

Ans. An applicant being aggrieved by the decision of the Board may within a period of 30 days from the date of receipt of such intimation apply to the Board for reconsideration of its decision.

Q. 32. What is the effect of refusal to grant the certificate?

Ans. A person whose application for grant of certificate has been refused by the Board, shall on and from the date of communication of such refusal, cease to carry on any activities as a sub-broker.

Q. 33. What are the general obligations on sub-broker?

Ans. The sub-brokers shall pay the fees as specified in schedule III, abide by the code of conduct as specified in schedule II and enter into an agreement with the stock broker for specifying the scope of his authority and responsibilities.

Q. 34. What accounts should be kept by a stock broker?

Ans. Every stock-broker shall keep and maintain register of transactions clients ledger, General Ledger, Journals

Cash Book, Bank Pass Book, Register of incoming & outgoing securities, counterfoils of contract notes, written consent of clients, margin deposit book and Registers of accounts of sub broker.

Q. 35. What should, a stock broker submit annually to the Board?

Ans. Every stock broker shall, after the close of each account period furnish to the Board if so required as soon as possible but not later than 6 months from the close of the said period a copy of audited balance sheet and profit and Loss account, as at the end of said accounting period.

Q. 36. For how much time the accounts should be preserved?

Ans. Every stock broker shall preserve the books of account & other records for a minimum period of 5 years.

Q. 37. What is the Board's right to inspect?

Ans. The Board may appoint one or more person as inspecting authority to undertake inspection of the books of accounts and other records & documents of the stock brokers.

Q. 38. Define the liability in case of default by a stock broker?

Ans. A stock broker who fails to comply with any conditions subject to which registration has been granted, contravenes any of the provisions of the Act, contravenes the provisions of the securities contract (Regulation) Act, contravenes the rules, regulations or bye laws of the stock exchange shall be punishable with suspension of registration or cancellation of registration.

Q. 39. What is the effect of suspension and cancellation of registration of stock broker?

Ans. On and from the date of the suspension of the stock broker he shall cease to buy, sell or deal in securities

as a stock broker during the period of suspension and forever in case of cancellation

Q. 40. To whom the application may be made against the order of the Board?

Ans. Any person aggrieved by an order of the Board may prefer an appeal to the Central Government.

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MODEL QUESTION PAPERS

(iv-a) PROVISIONS OF THE INDIAN STAMP ACT RELATED TO SECURITIES

(a) MULTIPLE CHOICE QUESTIONS

NOTE :- Out of the four options given under every question, only one is correct. Please find which one is correct. For correct answers please see the Answer Sheet.

Q. 1. Duty stamped means, that the instrument

- Ans.** (A) bears an adhesive stamp
(B) has impressed stamp of proper amount
(C) has been stamped with proper amount
(D) All of the above

Q. 2. Any document by which any right or liability is created, transferred, limited, extended, extinguished or recorded is called

- Ans.** (A) share
(B) debenture
(C) bond
(D) instrument

Q. 3. Executed means

- Ans.** (A) filed with the co.
(B) delivered to shareholders
(C) submitted to SEBI
(D) signed, as required

Q. 4. Any security which is capable of being sold in any stock exchange in India, is called

- Ans.** (A) share
(B) bond
(C) marketable security
(D) debenture

Q. 5. Duty is not chargeable

- Ans.** (A) a share transfer
(B) a debenture transfer
(C) instrument executed by or on behalf of or in favour of the Government
(D) All the securities, which are marketable

Q. 6. Adhesive stamps can be used for stamping

- Ans.** (A) instruments chargeable with a duty not exceeding Rs. 0.10 except parts of bills of exchange, payable otherwise than on demand and drawn in sets
(B) bills of exchange and promissory notes drawn or made out of India
(C) notarial acts, entry as an advocate or attorney, transfers by endorsement of shares in any incorporated company
(D) All of the above.

Q. 7. If the stamp are not cancelled before delivery, the instrument will be deemed as

- Ans.** (A) stamped
(B) unstamped
(C) uncanceled instrument
(D) None of the above

Q. 8. A stamp may be treated as cancelled, if person cancelling

- Ans.** (A) writes his name on it
(B) affixes a stamp of 'CANCELLED' on it
(C) crosses it
(D) A & B above

Q. 9. The non-cancellation of a stamp affixed

- Ans.** (A) makes an instrument as not duly stamped
(B) invalidate the instrument for evidence
(C) makes the invalid for registration
(D) All of the above are correct

Q. 10. The rate of stamp duty is mentioned in

- Ans.** (A) schedule of the Indian Stamp Act
(B) schedule of the Companies Act

- (C) schedule of the SEBI's Act
- (D) None of the above

Q. 11. The stamp duty in India

- Ans.** (A) is same all over the country
 (B) varies from state to state
 (C) is categorized in three category
 (D) is fixed by SEBI differently on each share

Q. 12. Stamp duty is also payable on issuance of duplicate certificates

- Ans.** (A) yes
 (B) No
 (C) not clear
 (D) as per SEBI's instrument

Q. 13. Every transfer instrument

- Ans.** (A) need not be stamped
 (B) should be stamped
 (C) optionally stamped
 (D) None of the above

Q. 14. The pre-condition for registration of transfer is, that

- Ans.** (A) the instrument should be duly stamped
 (B) it should contain a completed transfer deed
 (C) it should be submitted in company's office
 (D) All of the above

Q. 15. Each transfer deed is required to be affixed with transfer adhesive stamp at the rate of

- Ans.** (A) 1/2 percent of the market value of shares
 (B) 1/2 percent of the face value of shares
 (C) 1 percent of the market value of shares
 (D) 1 percent of the face value of shares

Q. 16. The expenses of stamping are borne by

- Ans.** (A) the transferor
 (B) the broker
 (C) the transferee
 (D) the company

Q. 17. If transfer deed is executed outside India, it should be stamped within a period of how many months after it has first been received in India

- Ans.** (A) 1 month
(B) 3 months
(C) 6 months
(D) 12 months

Q. 18. Does the second cancellation of stamp require

- Ans.** (A) No
(B) yes
(C) yes, but only in some states
(D) None of the above

Q. 19. An instrument inadequately stamped will be treated as

- Ans.** (A) half stamped instrument
(B) forged instrument
(C) not stamped instrument
(D) wrong instrument

Q. 20. What is the maximum stamp duty payable on the transfer of securities held under FRS.

- Ans.** (A) Rs. 2 per instrument
(B) Rs. 5 per instrument
(C) Rs. 7 per instrument
(D) Rs. 10 per instrument

Q. 21. Rate the stamp duty payable on transfer of securities

- Ans.** (A) Rs. 5 per case
(B) Rs. 7.50 per case
(C) Rs. 8.75 per case
(D) Rs. 10 per case

Q. 22. When the instrument is not stamped, stamp duty is payable

- Ans.** (A) no
(B) yes
(C) depends on the instrument
(D) as the SEBI prescribes

(b) FILL IN THE BLANKS

Note- Complete the following sentences by filling appropriate words/phrases, For correct answers please see the Answer Sheet.

- (1) Duty..... means that the instrument bears an or impressed stamp of not less than theamount.
- (2)includes any document by which any right or liability is or is purported to be created, transferred, limited, extended, extinguished or
- (3) Executed means
- (4) means putting of signature.
- (5)means any security, by any description called, as is capable of being sold in any stock exchange in India.
- (6) Every instrument executed in India on or afteris chargeable to duty.
- (7) No duty shall be chargeable for any instrument executed by or on behalf of, or in favour of the
- (8) can be used for stamping instruments chargeable with a duty not exceeding except parts of bills of exchange, payable otherwise than on demand and drawn in sets. .
- (9) On bills of exchange and promissory notes drawn or madeadhesive stamps can be used.
- (10) Any instrument although affixed with stamps of requisite value, will be deemed to beif the stamps are notbefore delivery.
- (11) A stamp may be treated as cancelled if person cancelling it writes hison it or affixed the stamp ofon it.
- (12) Every share certificate, debenture, bond or letter of allotment shall bear requisite stamp duty as per from where it is issued.

- (13) Theshall be calculated on the value of such stock oraccording to theor its value on the day of the date of the instrument.
- (14) The amount of duty payable on certificate varies from
- (15)is payable at the rate prevailing in the where certificates are issued.
- (16) It is not necessary that the should be issued from the where registered office of the company is situated.
- (17) Every transfer instrument shall be
- (18) Each transfer deed is required to be affixed with transfer adhesive stamps at the rate of of the of the shares comprised in the deed.
- (19) The expenses of stamping, unless there is an agreement to the contrary, shall be borne by the person who is the transfer instrument.
- (20) If a transfer deed is executed outside India, it may be stamped within a period of after is has first been received in India.
- (21) The state stamp rules of require second cancellation of the..... by the company.
- (22) Stamps must be affixed according to of securities and not on the basis of the of the securities.
- (23) In cause of transfer of securities held under the maximum stamp duty payable is Rs. 5/- per instrument.
- (24) On pledged shares, stamp duty payable is per case.
- (25) Stamp duty is also payable at the same rate as otherwise payable, when the instrument is

- (14) Every share certificate debenture, bond or letter of allotment does not require stamp duty to be affixed on it.
- (15) In India, stamp duty varies from state to state.
- (16) All duties with which any instrument is chargeable shall be paid and such payment shall be indicated on such instrument, by means of stamps issued by the State Government.
- (17) Stamp duty is payable at the rate prevailing in the state where certificates are issued.
- (18) It is necessary that certificates should be issued from the state where registered office of the company is situated.
- (19) The law is not clear whether stamp duty is payable on issuance of duplicate certificates or certificates issued due to sub division, consolidation,
- (20) The ledgement of duty stamped and completed transfer deed or instrument is a precondition for registration of transfer.
- (21) Each transfer deed is required to be affixed with transfer adhesive stamps at the rate of 2% of the market value of the shares.
- (22) The expenses of stamping, shall be borne by the person who is executing the transfer instrument.
- (23) If a transfer deed is executed outside India, it may not be stamped.
- (24) Stamps must be affixed according to market value of securities.
- (25) In case of transfer of securities held under trust, the maximum stamp duty payable is Rs 5/- per instrument.

(d) ONE SENTENCE ANSWERS

NOTE:- Answer the following questions in one sentences.

Q. 1. Define duly stamped.

- Ans.** Duly stamped means that the instrument bears an adhesive or impressed stamp of not less than the proper amount.
- Q. 2.** What is the meaning of an instrument?
- Ans.** An instrument means any document by which any right or liability is or is purported to be created, transferred, limited, extended, extinguished or recorded.
- Q. 3.** Executed means
- Ans.** Signed a document
- Q. 4.** When the execution of a document is said to be completed?
- Ans.** When signatures are put on any instrument the said instrument is said to be executed.
- Q. 5.** What do you mean by marketable security ?
- Ans.** Any security, by any description called, as is capable of being sold in any stock exchange in India or in united kingdom is called a marketable security.
- Q. 6.** From which date the instruments are chargeable to duty as indicated in the schedule I of the Act.
- Ans.** Every instrument executed in India on or after 1st July 1899 is chargeable to duty.
- Q. 7.** Which section of the stamp Act deals with the procedure to pay stamp duty ?
- Ans.** Section 10 of the Indian stamp Act describes the procedure about how stamp duties should be paid.
- Q. 8.** On what instruments, adhesive stamps are used for stamping.
- Ans.** Adhesive stamps are used for stamping instruments chargeable with a duty not exceeding Rs.0.10 except parts of bills of exchange, payable otherwise than on demand and drawn in sets, bills of exchange and

promissory notes drawn or made out of India, notarial acts, entry as an. advocate or attorney transfers, by endorsement of shares in any incorporated company.

Q. 9. What is the importance or cancellation of adhesive stamps ?

Ans. Any instrument although affixed with stamps of requisite value will be deemed to be unstamped if the stamps are not cancelled before delivery.

Q. 10. When the stamp can be said to be cancelled?

Ans. A stamp may be treated as cancelled if person cancelling it writes his name on it or affixes the stamp of 'CANCELLED' on it.

Q. 11. Stamps if not cancelled on its affixation, when can they be cancelled next ?

Ans. Stamps must be cancelled either when they are affixed or if they are not so cancelled, they must be cancelled at the time of execution of the instrument.

Q. 12. Stamp duty is payable on what rate ?

Ans. The amount of duty payable varies from state to state.

Q. 13. Which Act governs the stamp duty payable on instruments ?

Ans. The schedule I of the Indian stamp Act deals with the duties payable on securities.

Q. 14. On what rate duty is payable on securities held under trust ?

Ans. In case of transfer of securities held under trust, the maximum stamp duty payable is Rs.5/- per instrument.

Q. 15. What duty is charged on pledged shares?

Ans. Stamp duty payable on pledged shares is Rs.750/- per case.



MODEL QUESTION PAPERS

(iv-b) PROVISIONS OF THE COMPANIES ACT RELATED TO SECURITIES

(a) MULTIPLE CHOICE QUESTIONS

NOTE :- Out of the four options given under every question, only one is correct. Please find which one is correct. For correct answers, please see the Answer Sheet.

Q. 1. Under which section of the Companies Act, the term company has been defined ?

Ans. (A) Sec.2 (B) Sec. 3
(C) Sec. 6 (D) None of the above.

Q. 2. Company means

Ans. (A) company formed under the SEBI Act
(B) company registered with the SEBI
(C) company formed and registered under the Company Act, 1956
(D) A defunct company.

Q. 3. A private company

Ans. (A) restricts the right to transfer the shares
(B) grant the right to transfer the shares
(C) transfer depends on case to case
(D) needs prior approval from the registrar for the transfer of the shares

Q. 4. The minimum number of members, which a private company should have its-

Ans. (A) 1 (B) 2
(C) 5 (D) 7

Q. 5. Mention the maximum number of members, which a private company can have-

Ans. (A) 5 (B) 10
(C) 25 (D) 50

Q. 6. A private company

Ans. (A) can invite the public to subscribe for shares & debentures
(B) can not invite the public to subscribe for shares & debentures
(C) can invite the public to subscribe for shares only
(D) can invite the public to subscribe for debentures only.

Q. 7. How many minimum members are required for the formation of a public company

Ans. (A) 2 (B) 5
(C) 7 (D) 10

Q. 8. What is the limit for number of members a public company can have?

Ans. (A) 10 (B) 20
(C) 100 (D) No limit

Q. 9. Memorandum of Association is a-

Ans. (A) document which lays the foundation of the company & is a public document
(B) document which lays the foundation of the company & is not a public document
(C) document containing the list of members of a company
(D) document showing the net results of a company

Q. 10. How many clauses, a memorandum have

Ans. (A) 2 (B) 3
(C) 5 (D) 7

Q. 11. The memorandum of a company is

Ans. (A) typed (B) printed
(C) handwritten (D) photocopied

Q. 12. How many members are required to subscribe the memorandum in a private company

- Ans. (A) 2 (B) 5
(C) 6 (D) 8

Q. 13. How many members are required to subscribe the memorandum in a public company

- Ans. (A) 2 (B) 7
(C) 9 (D) 10

Q. 14. Articles of Association is a-

- Ans. (A) set of bye-laws & regulations of a company
(B) set of list of associates of a company
(C) set of list of objects of the company
(D) None of the above

Q. 15. Articles of Association should be-

- Ans. (A) printed
(B) typed
(C) handwritten
(D) photocopied

Q. 16. Articles of Association is to be signed by-

- Ans. (A) Registrar of companies
(B) Directors of SEBI
(C) each subscriber of the memorandum of association
(D) All of the above

Q. 17. Prospectus is a-

- Ans. (A) pivotal document in a public issue
(B) additional document in a public issue
(C) optional document in a public issue
(D) document containing the Name and Addressed of the members of a company

Q. 18. Prospectus should be Issued-

- Ans. (A) to all the Board of Directors
(B) to public at the time of issue
(C) to only SEBI
(D) None of the above

Q. 19. Prospectus should

- Ans.** (A) not be registered with Registrar of Companies
(B) be registered with Registrar of Companies
(C) be attested by SEBI
(D) be registered with the Central Government

Q. 20. A private company can

- Ans.** (A) issue a prospectus
(B) issue prospectus with the approval of SEBI
(C) not issue a prospectus
(D) issue a prospectus with the consent of its members

Q. 21. A public company can

- Ans.** (A) issue a prospectus
(B) issue prospectus with the approval of SEBI
(C) not issue a prospectus
(D) issue a prospectus with the consent of its members

Q. 22. In lieu of a prospectus, a company

- Ans.** (A) can publish an article in daily Newspapers
(B) can file a statement with Registrar of companies
(C) can file a statement with SEBI
(D) is not needed to file anything.

Q. 23. The prospectus should not contain

- Ans.** (A) any statement which is true
(B) any statement which is not true
(C) any material fact about a company
(D) None of the above.

Q. 24. Any contravention in a prospectus

- Ans.** (A) does not make any difference for shareholders
(B) does not affect the integrity of a company
(C) give the allottee the right to repudiate the contract
(D) does not give any right to allottee to repudiate the contract

Q. 25. To collect the money from the publication of the advertisement is

- Ans. (A) optional
(B) compulsory
(C) differ company to company
(D) None of the above

Q. 26. No Allotment shall be made of any share capital unless

- Ans. (A) 70% subscription has been received
(B) 90% subscription has been received
(C) minimum subscription as stated in the prospectus has been received
(D) 100% subscription has been received

Q. 27. The amount payable on application on cash share should not be less than

- Ans. (A) 10% (B) 20%
(C) 5% (D) 25%
of the nominal value of the share

Q. 28. Any contravention regarding minimum subscription amounts to a fine up to

- Ans. (A) 2,000/- (B) 5,000/-
(C) 7,000/- (D) 9,000/-

Q. 29. The term 'Allotment' has been defined in Companies Act under section

- Ans. (A) 2 (B) 3
(C) 5 (D) No where

Q. 30. 'Allotment' means

- Ans. (A) to allot particular rooms to the officers of a company
(B) to allot designations of various officers of a company
(C) to allot shares to various persons for the collection of capital
(D) None of the above

Q. 31. Statement In lieu of prospectus contain the particulars specified In-

- Ans. (A) schedule 1 of the Companies Act

- (B) section 30 of the SEBI Act
- (C) schedule III of the Companies Act
- (D) section 35 of the SEBI Act

Q. 32. Any allotment made by a company in contravention of section 69 & 70 of the Companies Act shall be

- Ans.** (A) regular
 (B) irregular
 (C) void
 (D) irregular & void
 at the instance of applicant

Q. 33. In case of irregular & void allotment, the applicant has remedies

- Ans.** (A) against the company
 (B) against the Directors
 (C) against the both
 (D) against none

Q. 34. The co. should keep his subscription list open for a minimum of

- Ans.** (A) 2 days (B) 3 days
 (C) 4 days (D) 7 days

Q. 35. The company can keep his subscription list open for a maximum of

- Ans.** (A) 3 days (B) 5 days
 (C) 10 days (D) 30 days

Q. 36. The permission of a Stock Exchange, to start dealing of a share in a stock exchange, is

- Ans.** (A) not required
 (B) required
 (C) optional
 (D) vary from co. to co.

Q. 37. If the permission by any stock exchange is not granted, the company shall

- Ans.** (A) keep the amount of applicants with him & pay interest to them
 (B) return the amount with interest

- (C) return the amount without interest
- (D) convert the amount received against the deposits

Q. 38. To avoid to be a defaulter, within how many days of its becoming due, the company should repay the amount-

- Ans.** (A) 5 days (B) 8 days
(C) 15 days (D) 30 days

Q. 39. In case of default in payment, the company is liable

- Ans.** (A) to pay interest
(B) to pay dividend
(C) to allot shares
(D) None of the above

Q. 40. What is the rate of interest for delayed payment

- Ans.** (A) 12% p.a. (B) 15% p.a.
(C) 18% p.a. (D) 24% p.a.

Q. 41. All moneys received through subscription should be kept

- Ans.** (A) in possession of Chairman of the Co.
(B) in possession of the Chairman of SEBI
(C) in a schedule bank
(D) in a company office

Q. 42. On allotment, within how many days, company files a return of allotment with the Registrar of Companies

- Ans.** (A) 10 days (B) 15 days
(C) 30 days (D) 45 days

Q. 43. In which form the company files the return of the allotment

- Ans.** (A) form A (B) form B
(C) form No.1 (D) form No. 2

Q. 44. Underwriting means

- Ans.** (A) to write the application received
(B) to write the shares allotted under the names of applicants

- (C) on insurance against the possibility of inadequate subscription
- (D) None of the above

Q. 45. Broker means

- Ans.** (A) a person who brings the parties together
 (B) a person who acts as a middlemen
 (C) an intermediary who gets the deal fulfilled
 (D) All of the above

Q. 46. All sums paid as underwriting commission & brokerage must be shown in

- Ans.** (A) prospectus
 (B) P & L A/C
 (C) letter of offer
 (D) Balance Sheet

Q. 47. The rate of brokerage payable in India to any member of a recognised stock exchange is-

- Ans.** (A) 1% (B) 1.5%
 (C) 2% (D) 2.5%

Q. 48. No Company limited by shares and no company limited by guarantee and having share capital shall buy its own shares because-

- Ans.** (A) it reflects the goodwill of that co.
 (B) it is not allowed by State Government
 (C) it increases their share capital
 (D) it tantamounts to the reduction of capital

Q. 49. The company cannot redeem one of the following-

- Ans.** (A) debentures
 (B) shares
 (C) bonds
 (D) redeemable preference shares

Q. 50. Distribution of share premium is not allowed as

- Ans.** (A) dividend
 (B) preliminary expenses
 (C) premium payable on the redemption of preference shares

(D) discount allowed on issue of shares

Q. 51. Any distribution of share premium which result in reduction of capital require-

- Ans.** (A) SEBI's consent
(B) Central Govt., permission
(C) Board of Directors consent
(D) Courts sanction

Q. 52. Share premium is

- Ans.** (A) free reserve
(B) capital reserve
(C) free as well as capital reserve
(D) All of the above

Q. 53. It is must to disclose share premium in

- Ans.** (A) Trading A/C
(B) P & L A/C
(C) Trial Balance
(D) Balance sheet

Q. 54. Shares at a discount can

- Ans.** (A) not be issued
(B) be issued without any consent from The company
(C) be issued if authorised by resolution passed by the company in general meeting
(D) None of the above.

Q. 55. Debentures at discount can

- Ans.** (A) not be issued
(B) be issued
(C) be issued with prior consent of SEBI
(D) be issued with the consent of Board of Directors

Q. 56. Issue of captial means

- Ans.** (A) issue of shares in public
(B) issue of debentures in public
(C) issue of bonds
(D) issue of any security for capitalisation of profits

Q. 57. The term 'security' means

- Ans.** (A) shares, debentures & bonds
(B) stocks, mortgage deeds, instruments of pawn, pledge
(C) Instruments acknowledging loan to or indebtedness of the co.
(D) All of the above

Q. 58. Calls for further shares are made

- Ans.** (A) only to shareholders who has 1000 or more shares of the company
(B) after selecting at random, to selected shareholders
(C) on uniform basis to all the shareholders of the same class
(D) to those who are not shareholders of the company

Q. 59. An amount of unpaid share capital may be accepted by company, even though such amount has not been called up, if

- Ans.** (A) it is permitted by SEBI
(B) it is permitted by Central Govt.
(C) it is permitted by articles of Association
(D) it is permitted by memorandum of Association

Q. 60. Member paying calls in advance

- Ans.** (A) can have the voting rights on the date on which amount has been paid
(B) can have the voting rights on the date on which call becomes due
(C) cannot have the voting rights
(D) cannot have the voting rights even after the call becomes due

Q. 61. Regulations for management of a company are contained in

- Ans.** (A) table A of Schedule I of the Companies Act
(B) table A of the SEBI Act
(C) table B of the Schedule II of the Companies Act
(D) None of the above

Q. 62. The regulations for management should be adopted by a company

- Ans.** (A) without any modification
(B) with modification
(C) with or without modification
(D) None of the above

Q. 63. Preference shares may be issued

- Ans.** (A) on sanction of a special resolution
(B) on sanction of an ordinary resolution
(C) without any sanction
(D) on sanction in Board of Directors meeting

Q. 64. Preference shares are redeemable

- Ans.** (A) on such terms as the company may decide after the issue is closed
(B) on such terms as the Board of Directors decide while the issue is open
(C) on such terms as the SEBI instructs
(D) on such terms and in such manner as the company before the issue of the shares may by special resolution, determine

Q. 65. Every person, whose name is entered as a member in the register of members, is entitled to receive

- Ans.** (A) a certificate for all his shares without payment
(B) a letter of consent from the co. of his being accepted a member
(C) a membership number
(D) None of the above

Q. 66. Every share certificate should

- Ans.** (A) be sealed
(B) specify the name of shareholder
(C) contain the amount paid up
(D) All of the above

Q. 67. In case of shares held jointly, the company shall issue

- Ans.** (A) separate certificates in each name
(B) one certificate with only one of the name

- (C) one certificate with all the names
- (D) one certificate without any name

Q. 68. Joint holders share certificates will be delivered

- Ans. (A) separate certificates on all of their addresses
 (B) same certificate with photocopies on all of their addresses
 (C) one certificate on only one of their address
 (D) any one of the above

Q. 69. The defuncted, lost or destroyed certificates may be renewed on payment of not more than

- Ans. (A) Rs. 1 (B) Rs. 2
 (C) Rs. 5 (D) Rs. 10

Q. 70. For call to deposit money, the company shall give the minimum time to their shareholders is

- Ans. (A) 7 days (B) 10 days
 (C) 14 days (D) 21 days

Q. 71. Call once made can

- Ans. (A) be revoked or suspended
 (B) not be revoked or suspended
 (C) be exercised if necessary, subject to
 (D) None of them

Q. 72. The joint holders of a share are

- Ans. (A) Independently responsible equivalent to their share
 (B) jointly & severally liable to pay all calls
 (C) only jointly responsible
 (D) one of them is responsible

Q. 73. A Transferor loses his right on share on the day

- Ans. (A) he sells such share to some other person
 (B) he delivers that share to the buyer of that share
 (C) he signs a transfer deed
 (D) in place of his name the transferee name is entered in the register of members

Q. 74. The company

- Ans.** (A) can refuse to register the name of a person
(B) cannot refuse to register the name of a person
(C) can after calling the transferor take the decision
(D) is at liberty to do whatever it wants.

Q. 75. The instrument of transfer should be accompanied by

- Ans.** (A) a declaration on non-judicial stamp paper regarding the sale of shares
(B) an authority letter from the seller
(C) a share certificate, to which it relates
(D) a consent of the buyer.

Q. 76. The registration of transfers

- Ans.** (A) can never be suspended, once it is being registered
(B) may be suspended for a short & temporary period
(C) may be suspended permanently
(D) as per the company interest

Q. 77. At one time, the registration of transfer can never be suspended for more than

- Ans.** (A) 10 days (B) 15 days
(C) 30 days (D) 40 days

Q. 78. The registration of transfer cannot be suspended, in a year for more than-

- Ans.** (A) 20 days (B) 30 days
(C) 35 days (D) 45 days

Q. 79. The company, on every probate, letters of administration certificate of death or marriage & power of attorney etc. cannot charge a fee more than

- Ans.** (A) Rs. 2 (B) Rs. 3
(C) Rs. 5 (D) Rs. 7

Q. 80. On failure to pay any call, the company

- Ans.** (A) immediately forfeit the share
(B) serve a notice mentioning his dues & interest there on

- (C) immediately file a case in the court
- (D) can take any step as per his discretion

Q. 81. The forfeited share

- Ans. (A) can not be resold
 (B) is destroyed by the co.
 (C) can be sold & disposed of as the Board thinks fit
 (D) can be re-allotted only to same person

Q. 82. The forfeiture

- Ans. (A) can be cancelled even after the reselling has been done
 (B) can never be cancelled
 (C) can be cancelled before a sale or disposal is being made
 (D) can be cancelled before the payment of re-sale has been received by the co.

Q. 83. After forfeiture the member whose share have been forfeited

- Ans. (A) is not liable for any dues remained unpaid
 (B) is liable to pay to the co. all moneys which at the date of forfeiture were payable by him
 (C) is liable for all the money dues till it has been resold
 (D) None of the above

Q. 84. The company can from time to time, increase its share capital by

- Ans. (A) ordinary resolution
 (B) special resolution
 (C) Board of Directors consent
 (D) SEBI's consent

Q. 85. The company may, by ordinary resolution

- Ans. (A) consolidate & divide all or any of its share capital in to shares of larger amount than its existing shares
 (B) sub-divide its existing shares

- (C) cancel any shares, which at the date of the passing of the resolution, have not been taken or agreed to be taken by any person
- (D) do all the three above

Q. 86. The company may, by special resolution, reduce

- Ans.**
- (A) its share capital
 - (B) any capital redemption reserve amount
 - (C) any share premium account
 - (D) all the above

Q. 87. The company may declare dividends

- Ans.**
- (A) through SEBI's permission
 - (B) through RBI's permission
 - (C) through general meeting
 - (D) through Board of Directors meeting

(b) FILL IN THE BLANKS

Note.- Complete the following sentences by filling appropriate words/phrases. For correct answers please see the Answer Sheet.

- (1) The companies Act was framed in the year
- (2) Company has been defined as a company and registered under the companies Act, 1956.
- (3) Private company limits the number of its members to
- (4) Private company any invitation to the to subscribe for any shares in or debentures of the company.
- (5) A company is a company which is not a private company.
- (6) is the document which lays the foundation of the company.
- (7) Memorandum of association contains clauses which forms the of the company.
- (8) The memorandum of association of every company should be divided into and sub-

- scribed by atleast two persons in case of a
 and seven persons in case of a
- (9) The memorandum of association should state the of the company.
 - (10) The in which the registered office is situated should be mentioned in the memorandum of association.
 - (11) Articles are set of and of a company.
 - (12) The articles regulate the relations of the company and
 - (13) The articles of association of a company limited by shares may adopt of schedule I.
 - (14) Articles should be divided into paragraphs and signed by each subscriber of the
 - (15) means any notice, circular, advertisement, letter of offer inviting offers from the for the purchase of any type of of a company.
 - (16) Prospectus is the document in a public issue.
 - (17) Prospectus should be issued to public & should be registered with the
 - (18) When a company does not a issue a the company must file a in lieu of prospectus with the
 - (19) The prospectus should not contain any of any material fact or misleading or statement.
 - (20) Any contravention may give the allottee the right to the contract to take shares and to claim paid by him and the right to sue for or compensation.
 - (21) Companies cannot invite deposits from public without issuing an
 - (22) No allotment shall be made of any unless the company receives the of the issue.
 - (23) The application on each share shall not be less than of the value of the share.
 - (24) The term means a division of shares capital in to definite shares of particular value.

- (25) A company cannot keep the list open for any period.
- (26) The subscription list should be kept open for atleast if the company is opting for on a exchange.
- (27) The subscription of a issue may be kept open for a maximum period of
- (28) When a company makes any allotment of shares, the company shall within file with the registrar of companies, a return of in form No. 2.
- (29) A company may pay to any person in consideration of his subscribing for any or of the company.
- (30) means entering into a contract by which a person agrees that if the securities offered are not within a specified time, the person himself takes it and the amount.
- (31) Brokerage means or paid to a person on the transactions negotiated by him.
- (32) is a person who acts as a middleman in the bargain and an who brings the parties together.
- (33) The brokerage is payable at the rate of of the amount arranged by a broker.
- (34) can be applied by the company for paying up un-issued shares of the company to be issued to members of a company as fully paid bonus shares.
- (35) A company can issue shares at a if the issue of share at a discount is authorised by resolution passed by the company in and sanctioned by

(c) TRUE & FALSE QUESTIONS

NOTE:- Some of the following statements are True and some of them are False. Please find, which are True and which are False. For correct answers, please see the Answer Sheet.

- (1) Company has been defined as a company formed and registered under the companies Act, 1956.

- (2) Private company does not bar any limit on the number of its members.
- (3) A private company can invite the general public to subscribe for in any shares or debentures of the company.
- (4) The memorandum of association lays the foundation of the company.
- (5) Articles are set of bye laws and regulations of a company.
- (6) Prospectus shows the profitability of a company.
- (7) Companies can invite deposits from public without issuing advertisement.
- (8) All moneys received should be kept in a separate bank account with a schedule bank.
- (9) When a company makes any allotment of shares, the company shall within, 30 days, thereof, file with the registrar of companies, a return of allotment in form 2.
- (10) All sums paid as underwriting commission and brokerage must be shown in the balance sheet of the company.
- (11) A company limited by shares and a company limited by guarantee and having a share capital can buy its own shares no matter it tantamounts to the reduction of capital.
- (12) If authorised by articles, a company may accept from any member amount of unpaid share capital even though such amount has not been called up.
- (13) Table A of schedule 1 to the companies Act, 1956, contains various regulations for management of a company limited by shares.
- (14) The transferor loses his right on divided the time he sells his share to another person.
- (15) Public company is a company which is not a private company.
- (16) The memorandum of association of a company may be typed or handwritten.
- (17) The capital of the company should be shown in the memorandum of association of the company.

- (18) Articles should be printed, divided into paragraphs and signed by each subscriber of the memorandum of association.
- (19) Prospectus may or may not be issued to public.
- (20) Any allotment made by a company to an applicant in contravention of section 69 & 70 shall be irregular and voidable at the instance of applicant within two months of statutory meeting or allotment.
- (21) The applicant has only one remedy against the company.
- (22) An application to one or more recognised stock exchanges for permission for the shares or debentures to be dealt with in the stock exchange, should have been made by the co.
- (23) When the permission for listing is not granted by a stock exchange, the company shall forthwith repay with interest all moneys received from applicants.
- (24) All moneys received in pursuance of the prospectus, can be used for making adjustment against allotment of shares, if permission has been granted by the stock exchange.
- (25) A company can not pay commission to any person in consideration of his subscribing for any shares or debentures of the company.
- (26) Money really payable as commission can be treated as payment of brokerage.
- (27) A company can buy back or redeem the debentures and bonds issued by it.
- (28) Distribution of share premium as dividend is not permitted.
- (29) Money in share premium account can be treated as free reserve.
- (30) All calls or further share capital should be made on uniform basis on all shares of the same class.
- (31) The member paying calls in advance gets the voting rights on the time he pays the amount.

(d) ONE SENTENCE ANSWERS

NOTE :- Answer the following questions in one sentence.

Q. 1 In which year the companies Act was framed ?

Ans. In the year 1956, the companies Act was framed

Q. 2. Define a company.

Ans. A company formed and registered under the companies Act, 1956 or an existing company which means a company formed and registered under any of the previous company laws.

Q. 3. Define a private company.

Ans. A private company is a company which by its articles restricts the right to transfer the shares, limits the number of its members to 50 and prohibits any invitation to the public to subscribe to the public to subscribe for any shares in or debentures of the company.

Q. 4 What is the difference between a public & a private company.

Ans. Public company is a company which is not a private company.

Q. 5 What is a memorandum of association ?

Ans. memorandum of association is a document which lays the foundation of the company.

Q. 6 How many clauses does a memorandum contains?

Ans. A memorandum of association contains five clauses which provides & forms the constitution of the company.

Q. 7 What does a memorandum contains ?

Ans. A memorandum contains the name of the company, the state in which the registered office of the co. is situated,

objects of that company, liability of members and capital of the company.

Q. 8. What is articles of association ?

Ans. An articles of association is a set of bye laws and regulations of a company which regulate the relations of the company and its shareholders.

Q. 9. What is the meaning of a prospectus ?

Ans. A prospectus means notice, circular, advertisement, letter of offer inviting offer from the public for the subscription in any type of securities of a company.

Q. 10. What are the main requirements of a prospectus ?

Ans. A document to be called a prospectus, should be issued to public & should be registered with registrar of companies.

Q. 11. What is the effect of non-issuance of prospectus by a company ?

Ans. When a company having a share capital does not issue a prospectus inviting the public to subscribe for shares or debentures, the company must file a statement in lieu of prospectus with registrar of companies.

Q. 12. How deposits are invited by a company ?

Ans. A company can invite deposits from public by issuing an advertisement.

Q. 13. In case of under subscription, what rules are followed for allotment ?

Ans. No allotment shall be made of any share capital of a company offered to public for subscription unless the amount stated in the prospectus as minimum subscription has been subscribed.

Q. 14. How a company can deal In Stock Exchange ?

Ans. Every company intending to offer shares or debentures to the public for subscription to the public for subscription by the issue of prospectus shall before such issue, make an application to one or more recognised stock exchanges for permission for the shares or debentures to be dealt within the stock exchange.

Q.15 Commission is paid on what grounds ?

Ans. A company may pay commission to any person in consideration of his subscribing or aggregating to subscribe for any shares or debentures of the company & his procuring or agreeing to procure subscription for the company.

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VARIOUS KINDS OF SECURITIES DBTS/EQUITY(a) MULTIPLE CHOICE QUESTIONS

NOTE:- Out of the four options given under every question, only one is correct. Please find which one is correct. For correct answers, please see the Answer Sheet.

Q. 1. The securities are Issued in

- Ans.** (A) the main market of a city
(B) the capital market
(C) the secondary market
(D) None of the above

Q. 2. The securities in the capital market are issued for-

- Ans.** (A) the speculation
(B) the benefit of the Co.
(C) the benefit of the public
(D) the collection of funds

Q. 3. The securities generally Issued to public are

- Ans.** (A) Shares
(B) Debentures
(C) Bonds & others
(D) All of the above

Q. 4. Share represents-

- Ans.** (A) the fund of the company.
(B) Owners fund in the capital of the Co.
(C) the fund for the welfare of the employees
(D) None of the above

Q. 5. Shares can be-

- Ans.** (A) Equity shares
(B) Preference shares

- (C) Equity & Preference shares
- (D) None of the above

Q. 6. Equity shares means

- Ans.** (A) The cintribution made by the Board of Directors
 (B) The company's share in the capital of the Co.
 (C) The contribution made by the owners
 (D) The share of the Central Govt.

Q. 7. The share capital of a company means

- Ans.** (A) The shares of that Co.
 (B) The shares & Debentures of that Co.
 (C) Only preferential shares
 (D) Bonds of that Co.

Q. 8. The share capital can be raised

- Ans.** (A) Through public issue of shares.
 (B) Through letter of offer to existing shareholders only.
 (C) Through issue of Bonus share
 (D) None of the above

Q. 9. The shareholder

- Ans.** (A) donot carry voting rights
 (B) carry voting rights
 (C) carry one voting right for a share of the Co.
 (D) carry voting rights on approval by Central Govt.

Q. 10. The shareholders share-

- Ans.** (A) Risk of the company
 (B) Profits of the company
 (C) Risk & profits of the Co.
 (D) None of the above

Q. 11. Preferential shares have

- Ans.** (A) Preferential right of dividend
 (B) Preferential right of voting
 (C) Preferential right of refund
 (D) Preferential right of Bouns

Q. 12 The preferential shares can be

- Ans.** (A) Cumulative or Non-cumulative
(B) Redeemable or Irredeemable
(C) Convertible or Non-Convertible
(D) All of the above

Q. 13 Debentures are issued

- Ans.** (A) for collecting short term debt.
(B) for collecting long term debt.
(C) for collecting funds for the company
(D) for collecting funds for the welfare of Co's employees.

Q. 14 The cost of debenture is

- Ans.** (A) equal to the share capital
(B) lower than the share capital
(C) higher than the share capital
(D) Any one of the above

Q. 15 Debenture can be

- Ans.** (A) Secured, Unsecured, Bearer or Marketable
(B) Fully convertible, Partly convertible or Non-convertible
(C) Redeemable, Irredeemable, or mortgage
(D) All of the above

Q. 16 Bonds are used

- Ans.** (A) To collect money from secondary market
(B) To raise funds in capital market
(C) To collect the cost of advertisements
(D) To collect the money for the welfare of the employees.

Q. 17 Commercial papers are

- Ans.** (A) fully secured
(B) Partly secured
(C) Unsecured promissory notes
(D) Short term debt instrument

Q. 18 Commercial papers are issued

- Ans.** (A) by each & every Co.

- (B) low grade companies
- (C) Highly rated companies
- (D) New companies

Q. 19 Commercial papers were first introduced in India in

- Ans.** (A) March, 1988
 (B) January, 1990
 (C) April, 1991
 (D) August, 1991

Q. 20. The companies issuing commercial papers should have a net worth of

- Ans.** (A) Rs. 2 crores
 (B) Rs. 5 crores
 (C) Rs. 10 crores
 (D) Rs. 50 crores

Q. 21. For the issuance of commercial papers, certain guidelines were issued by-

- Ans.** (A) The Central Govt.
 (B) The Reserve Bank of India
 (C) The SEBI
 (D) The stock exchanges, separately

Q. 22 The rates of commercial papers are decided-

- Ans.** (A) Freely
 (B) in consultation with SEBI
 (C) as per RBI's instructions
 (D) as per the net worth of the Co.

Q. 23. The minimum required maturity period for a commercial paper is-

- Ans.** (A) 3 months (B) 6 months
 (C) 1 year (D) 2 years

Q. 24. The maximum maturity period for a commercial paper can be of-

- Ans.** (A) 3 months (B) 6 months
 (C) 1 year (D) 2 years

Q. 25. The denomination of commercial papers could be multiples of-

- Ans.** (A) 1 Lac (B) 2 Lac
(C) 5 Lac (D) 10 Lac

Q. 26. The issuing company of commercial papers should be

- Ans.** (A) Listed on one of the stock exchanges of India
(B) one of the oldest co. of the country
(C) a new company
(D) in production

Q. 27. Banks can

- Ans.** (A) Underwrite issue of commercial papers
(B) not underwrite issue of commercial papers
(C) accept issue of commercial papers
(D) None of the above

Q. 28. The maximum amount of commercial papers for issue allowed is-

- Ans.** (A) 75% of the issued share capital
(B) 75% of the maximum permissible bank finance
(C) 75% of the total assets value of the Co.
(D) 75% of the last year's gross profit of the co.

Q. 29. Commercial papers can be issued

- Ans.** (A) only to corporate bodies
(B) only to incorporated bodies
(C) both of the above A & B
(D) None of the above

Q. 30. On commercial papers, the stamp duty is

- Ans.** (A) not payable
(B) payable
(C) vary co. to co.
(D) as per State Govt. instructions.

Q. 31. Zero Interest Bonds.

- Ans.** (A) can not be converted into shares
(B) can be converted into equity shares & interest is payable till the conversion

- (C) can be converted into equity shares after a certain period but no interest is payable till such conversion
- (D) can be converted into debentures.

Q. 32. Factoring is

- Ans.** (A) an instrument like a share
(B) like a debenture
(C) a relationship between the financial institution and a business concern.
(D) a long term debt. document.

Q. 33. The financial institution, in case of factoring-

- Ans.** (A) provides a C.C. limit to the businessman
(B) provides marketing assistance
(C) purchases book debts and control the credit extended to the customers
(D) None of the above

Q. 34. Deep Discount Bonds are

- Ans.** (A) sold to equity shareholders of the co.
(B) sold at a discounted value
(C) issued at a discount only to Board of Directors
(D) issued at a discount only to shareholders of the co.

Q. 35. On maturity, the investors of Deep Discount Bonds gets

- Ans.** (A) Discounted money back with interest
(B) Discounted money with some shares
(C) market value
(D) face value of the Bond

Q. 36. In case of option Bonds, the interest is payable

- Ans.** (A) on maturity
(B) periodically
(C) A & B above
(D) none of the above

Q. 37. The options Bonds can be

- Ans.** (A) cumulative

- (B) non-cumulative
- (C) both of the above
- (D) None of the above

Q. 38. In case of Debentures with equity & tradable warrants-

- Ans.** (A) warrants are attached to debentures to attract investment
 (B) warrants are issued separately after certain period
 (C) warrants are kept deposited with the co. for 12 months
 (D) none of the above

Q. 39. The secured premium notes has

- Ans.** (A) very high borrowing cost
 (B) low borrowing cost
 (C) no borrowing cost
 (D) cost vary co. to co.

Q. 40. Commercial papers are like-

- Ans.** (A) Shares
 (B) Debentures
 (C) Unsecured Promissory Notes
 (D) Secured Promissory Notes

Q. 41. Commercial papers were first introduced in India in the year-

- Ans.** (A) 1970 (B) 1980
 (C) 1990 (D) 1992

Q. 42. Secured premium notes (SPN's) were first issued in India by-

- Ans.** (A) Bombay Dyeing & Mfg. Co. Ltd.
 (B) Reliance Petrochemical Ltd.
 (C) Bajaj Hindustan Ltd.
 (D) Tata Iron & Steel Co. Ltd.

Q. 43. Factoring means-

- Ans.** (A) manipulation of the share prices
 (B) control of security market
 (C) management of Debts

(D) control on speculation

Q. 44. New Issues are dealt in

- Ans.** (A) Money market
(B) secondary market
(C) primary market
(D) None of the above

Q. 45. Face value of shares to be issued by listed companies should be-

- Ans.** (A) Rs. 5/- (B) Rs.10/-
(C) Rs. 12/- (D) Rs. 15/-

Q. 46. The face value of preference shares should be-

- Ans.** (A) Rs. 5/- (B) Rs. 10/-
(C) Rs. 100/- (D) Rs. 200/-

Q. 47. All listed companies should publish half yearly results within-

- Ans.** (A) 1 month (B) 2 months
(C) 6 months (D) 12 months

Q. 48. Initial listing fee payable is-

- Ans.** (A) Rs. 5000/- (B) Rs. 7,500/-
(C) Rs. 9000/- (D) Rs. 12,000/-

Q. 49. Forward Trading is allowed in

- Ans.** (A) Specified securities
(B) Unspecified securities
(C) Permitted securities
(D) Unpermitted securities

Q. 50. Bond is a

- Ans.** (A) long term instrument
(B) short term instrument
(C) medium term instrument
(D) None of the above

Q. 51. Convertible Debenture is a

- Ans.** (A) Debt

- (B) Fixed Deposit
- (C) Equity
- (D) A & C above

Q. 52. Zero Interest Bonds in India were introduced by-

- Ans.** (A) Bank of Baroda
 (B) Mahindra & Mahindra Ltd.
 (C) Bajaj Hindustan Ltd.
 (D) Punjab National Bank

Q. 53. Composite issue means.

- Ans.** (A) share as well as debenture issue
 (B) public as well as right issue
 (C) only shares
 (D) only debentures

Q. 54. Preferential Allotment can not be made to-

- Ans.** (A) existing shareholders
 (B) employees of the company
 (C) merchant bankers
 (D) shareholders of group companies

Q. 55. Promotor's contribution is not required if the issue is made by-

- Ans.** (A) Indian company
 (B) Foreign company
 (C) Financial institution
 (D) None of the above

Q. 56. Book closure is announced

- Ans.** (A) To give bonus
 (B) To allot on right annual
 (C) at the time of annual general meeting
 (D) at any time

Q. 57. The amount of premium is decided by the

- Ans.** (A) SEBI
 (B) RBI
 (C) Board of Directors
 (D) Lead managers & co.

Q. 58. The company should issue allotment or refund orders, after the closure of the issue, within a period of-

- Ans.** (A) 1 week (B) 2 week
(C) 6 weeks (D) 10 weeks

Q. 59. The defaulters of the payment are liable to pay interest at the rate of-

- Ans.** (A) 12% (B) 15%
(C) 18% (D) 21%

Q. 60. A return of allotments made must be filed with the Registrar of companies within-

- Ans.** (A) 7 days (B) 21 days
(C) 30 days (D) 45 days

Q. 61. The normal size of a share certificate is-

- Ans.** (A) 7" x 7"
(B) 7" x 7.5"
(C) 8" x 8"
(D) 8" x 8.5"

Q. 62. Share certificates do not contain the

- Ans.** (A) No. of the certificate
(B) Name of the shareholder
(C) Address of the shareholder
(D) Quantity of shares

Q. 63. Letter of offer to all the registered shareholders should be sent through-

- Ans.** (A) Courier
(B) Registered post
(C) Ordinary post
(D) By hand

Q. 64. Debentures can not be issued at

- Ans.** (A) premium
(B) par
(C) discount
(D) all of the above

Q. 65. A debenture issue should be subscribed atleast-

- Ans.** (A) 50% (B) 75%
(C) 90% (D) No minimum limit

Q. 66. The public issue application forms should have a printed number in-

- Ans.** (A) 5 or 6 digits
(B) 6 or 7 digits
(C) 7 or 8 digits
(D) 8 or 9 digits

Q. 67. The minimum time interval between two issues is-

- Ans.** (A) 6 months (B) 12 months
(C) 15 months (D) 18 months

Q. 68. The securities generally issued to public are-

- Ans.** (A) Shares
(B) Shares & Debentures
(C) Shares, Debentures & Bonds
(D) Shares, Debentures, Bonds & others

Q. 69. Shares represent the-

- Ans.** (A) company's fund
(B) owner's fund
(C) brokers fund
(D) all of the above

Q. 70. Shares can be

- Ans.** (A) Equity shares
(B) Preference shares
(C) Both A & B
(D) None of the above

Q. 71. Equity share is infact a

- Ans.** (A) capital of a company
(B) funds of brokers
(C) reserves of a company
(D) None of the above

Q. 72. Equity share capital can be raised through-

- Ans. (A) borrowings
(B) public issue
(C) banks
(D) financial corporations

Q. 73. The shareholders-

- Ans. (A) carry voting rights
(B) share risk
(C) share profits
(D) all of the above

Q. 74. Preference shares have preferential right

- Ans. (A) to payment of dividend
(B) to voting
(C) to sit in the general meeting
(D) to interest

Q. 75. Preference shares can be-

- Ans. (A) Cumulative or Non-cumulative
(B) Redeemable or Irredeemable
(C) Convertible or Non-convertible
(D) All of the above

Q. 76. Debentures are used for collecting-

- Ans. (A) short term debt
(B) medium term debt
(C) long term debt
(D) fixed debt

Q. 77. The cost of debenture is

- Ans. (A) higher than the share capital
(B) lower than the share capital
(C) equal to the share capital
(D) Any one of the above

Q. 78. Debentures can be-

- Ans. (A) secured or unsecured
(B) only secured
(C) only unsecured
(D) None of the above

Q. 79. Debentures can be-

- Ans.** (A) Fully convertible, partly convertible or non-convertible
(B) Fully convertible or partly convertible
(C) Fully convertible or non-convertible
(D) Partly convertible or partly non-convertible

Q. 80. Debentures can be-

- Ans.** (A) Redeemable or Irredeemable
(B) Bearer or market
(C) Mortgage
(D) All of the above

Q. 81. Commercial papers are-

- Ans.** (A) secured promissory notes
(B) unsecured promissory notes
(C) semisecured promissory notes
(D) None of the above

Q. 82. Commercial papers are issued by highly rated companies with a tangible net worth of atleast-

- Ans.** (A) Rs. 1 Crore (B) Rs. 2 Crores
(C) Rs. 5 Crores (D) Rs. 10 Crores

Q. 83. Commercial papers were first introduced in India in-

- Ans.** (A) January, 1990
(B) March, 1991
(C) July, 1992
(D) October, 1993

Q. 84. Zero Interest Bonds are convertible into-

- Ans.** (A) Bonds
(B) Equity shares
(C) Commercial papers
(D) Negotiable Instruments

Q. 85. Factoring is

- Ans.** (A) Loan to co. by shareholders
(B) funds of the co.
(C) relationship between the financial institution and a business concern

(D) relationship between a brokers and a co.

Q. 86. Deep Discount Bonds are sold at a discounted value and on maturity-

- Ans.** (A) Face value is paid
(B) Premium value is paid
(C) Market value is paid
(D) Discounted value is paid

Q. 87. In option Bonds, the interest is payable on

- Ans.** (A) maturity
(B) periodically
(C) A & B above
(D) None of the above

(b) FILL IN THE BLANKS

NOTE :- Complete the following sentences by filling the appropriate word/phrases. For correct answers, please see the Answer Sheet.

- (1) The securities inare issued for the collection of
- (2) The securities generally issued to public are shares, Bonds &
- (3) represent the owner's funds in the of the company.
- (4) represent the share capital of a company.
- (5) Share capital of a company can be raised through a of shares.
- (6) The shareholders carry and share both risk & of the company.
- (7) have preferential right to payment of at fixed rate which may be tax free.
- (8) Preference shares can be, non-cumulative, Redeemable, or non- convertible.
- (9) are used for collecting long term Debt.

- (10) The cost of is lower than the
- (11) can be secured, unsecured, convertible, partly convertible, Non-convertible, redeemable, irredeemable, market Debentures & Debentures.
- (12) Commercial papers are promissory notes.
- (13) are issued by highly rated companies with a tangible net worth of or more.
- (14) Commercial papers were introduced in India in
- (15) The has issued guidelines for issuance of commercial papers.
- (16) Commercial papers would be issued for a minimum maturity of and maximum maturity period of from the date of issue.
- (17) The denomination of could be multiples of subject to the minimum size of an issue to a single investor being not less than
- (18) The commercial paper issuing company should have a tangible net worth of not less than
- (19) The commercial paper issuing company should be on one of the stock exchange of India.
- (20) would not be permitted to either or co-accept issue of commercial papers.
- (21) Banks may however provide facility to issuing company to the extent of the issue.
- (22) The maximum amount of commercial papers that can be issued by a company will be limited to of the bank finance.
- (23) Commercial papers can be issued to any person of registered or incorporated in India as well as bodies.
- (24) Issue of commercial paper will be subject to
- (25) and are converted into equity shares after a certain period but no interest is payable till such conversion.

- (26) Zero Interest Bonds and Debentures were introduced recently by very in India.
- (27) is a relationship between the financial institution and a business concern.
- (28) In factoring, the financial institution purchases and control the credit extended to the customers and administers the of the supplier.
- (29) are sold at a discounted value and on maturity face value is paid to the investors.
- (30) Option Bonds are and bonds where interest is payable on maturity or periodically.
- (31) Debentures attached with warrants are called
- (32) has a low borrowing cost and is beneficial for capital intensive projects.

(c) TRUE OR FALSE

NOTE :- Some of the following statements are True and some of the False. Please find, which are True and which are False. For correct answers, please see the Answer Sheet.

- (1) The securities in capital market are issued for the collection of funds.
- (2) The securities are issued to public only in the form of shares.
- (3) Shares represent the owners fund in the profit of the company.
- (4) Equity share is in fact the share capital of a company.
- (5) The equity share capital can be raised through banks.
- (6) The shareholders does not carry voting rights.
- (7) The shareholders share both risk & profits of the company.
- (8) Preference shares have preferential right to payment of dividend.
- (9) The dividend is paid at fixed rate.
- (10) The dividend paid is always subject to income tax.

- (11) The preference shares can not be non-cumulative.
- (12) The preference shares can be redeemable as well as irredeemable.
- (13) The preference shares can never be converted.
- (14) Debentures are used for the collection of instalments due.
- (15) The cost of debenture is lower than the share capital.
- (16) Debentures can be secured or unsecured.
- (17) Debentures are convertible, partly convertible & non-convertible.
- (18) Debentures can never be bearer.
- (19) Commercial papers are fully secured promissory notes.
- (20) Commercial papers are issued only by highly rated companies with a tangible net worth of Rs.5 crore or more.
- (21) Commercial papers have a maturity period of 3 to 6 months at a discounted value determined by market forces.
- (22) Commercial papers were introduced in 1992.
- (23) The denomination of commercial papers could be multiples of Rs 5 lac.
- (24) The commercial papers issuing company should have a tangible net worth of not less than Rs. 10 crores.
- (25) The commercial papers issuing company should be listed on one of the stock exchanges of India.
- (26) Banks are not permitted to underwrite issue of commercial papers.
- (27) Commercial papers can not be issued to any person of corporate bodies.
- (28) No stamp duty is chargeable on commercial papers.
- (29) Zero interest bonds are convertible into equity shares after a certain period.
- (30) Factoring is in fact a relationship between the financial institution and a business concern.
- (31) Deep discount bonds are sold on premium value.
- (32) Option bonds are cumulative & non-cumulative.

(d) ONE SENTENCE ANSWERS

NOTE :- Answer the following questions in one sentence.

Q. 1. For what purpose securities are Issued ?

Ans. The securities in capital market are issued for the collection of funds.

Q. 2. Which securities are generally Issued to Public ?

Ans. The shares, Debentures, Bonds & other type of securities are issued to public.

Q. 3. What does a share represent ?

Ans. Share represent the owner's funds in the capital of the company.

Q. 4. Define Equity share capital.

Ans. Equity share capital is infact the share capital of a company.

Q. 5. What priorities a preference shareholder have?

Ans. Preference shareholders have preferential right to payment of dividend at fixed rate which may be tax free or subject to income tax.

Q. 6. How many type of preference shares can be Issued by a company ?

Ans. A company can issue cumulative, Non-cumulative, Redeemable, Irredeemable, Convertible or Non-Convertible.

Q. 7. For what purpose a Debenture Is used ?

Ans. A Debenture is used for collecting long term Debt.

Q.8. How many types of Debentures are available In the capital market ?

Ans. Debentures can be secured, unsecured, fully convertible, partly convertible, Non-convertible, Redeemable, Irredeemable, Bearer, Market Debentures & Mortgage Debentures.

Q. 9. Define commercial papers ?

Ans. Commercial papers are unsecured promissory notes by highly rated companies with a tangible net worth of Rs. 5 crore or more having a maturity period of 3 to 6 months at a discounted value determined by market forces.

Q. 10. Define Zero Interest Bonds.

Ans. Zero Interest Bonds are bonds convertible into equity shares after a certain period but no interest is payable till such conversion.

Q. 11. What is Factoring ?

Ans. Factoring is infact a relationship between the financial institution and a business concern in which financial institution purchases book debts either with or without recourse to the supplier and control the credit extended to the customers and administers the sales register of the supplier.

Q. 12. Define Deep Discount Bonds.

Ans. Deep Discount Bonds are sold at a discounted value and on maturity face value is paid to the investors.



BRIEF KNOWLEDGE ABOUT INTERMEDIARIES**(a) MULTIPLE CHOICE QUESTIONS**

NOTE :- Out of the four options given under every question, only one is correct. Please find which one is correct. For correct answers, please see the Answer Sheet.

Q. 1. Discount and Finance House of India was set up for

- Ans.** (A) primary market dealings
(B) merchant banking services
(C) secondary market operations
(D) bill discounting

Q. 2. The portfolio manager is associated with the

- Ans.** (A) primary market
(B) money market
(C) secondary market
(D) None of the above

Q. 3. Technology Development and Information Company of India Ltd. was promoted by

- Ans.** (A) UTI (B) IDBI
(C) UTI & ICICI
(D) IDBI & UTI

Q. 4. National Stock Exchange of India Ltd. was recognised in the year

- Ans.** (A) 1980 (B) 1982
(C) 1992 (D) 1993

Q. 5. Over the Counter Exchange of India was incorporated under the provisions of

- Ans.** (A) SEBI Act (B) RBI Act
(C) Companies Act (D) IDBI Act

- Q. 6. National Stock Exchange was recommended by the committee of**
- Ans. (A) Raja Chelliah**
(B) Pherwani
(C) Jankiraman
(D) Ramakrishna
- Q. 7. National Stock Exchange has been promoted by the**
- Ans. (A) SEBI (B) UTI**
(C) IDBI (D) ICICI
- Q. 8. The recognition to National Stock Exchange has been granted for a period of**
- Ans. (A) 5 years in 1993**
(B) 7 years in 1992
(C) 9 years in 1993
(D) 10 years in 1992
- Q. 9. Underwriting of Issues is**
- Ans. (A) mandatory**
(B) optional
(C) None of the above
(D) defer case to case
- Q. 10. Foreign Institutional Investors have been allowed to do the business in India, from the year**
- Ans. (A) 1980 (B) 1983**
(C) 1992 (D) 1993
- Q. 11. Which one of the following was ranked 1st Merchant Banker in the country in 1992-93 by the prime date base-**
- Ans. (A) Punjab National Bank**
(B) SBI Capital Markets Ltd.
(C) Bank of Baroda
(D) Canara Bank
- Q. 12. Which one of the following Bankers was ranked 1st collecting Banker in 1992-93 by the prime data base-**
- Ans. (A) Punjab National Bank**

- (B) SBI Capital Markets Ltd.
- (C) Bank of Baroda
- (D) Canara Bank

Q. 13. Which one of the following was declared Registrar in 1992-93 by the prime data base

- Ans.** (A) PCS Data Products Ltd.
 (B) Karvy Consultants Pvt. Ltd.
 (C) MCS Ltd.
 (D) None of the above

Q. 14. The managers to the issues can be of-

- Ans.** (A) 1 Category
 (B) 2 Categories
 (C) 4 Categories
 (D) 8 Categories

Q. 15. A Merchant Banker cannot act as-

- Ans.** (A) underwriter
 (B) share broker
 (C) lead manager
 (D) All of the above

Q. 16. The category I Merchant Banker cannot act as a

- Ans.** (A) underwriter
 (B) lead manager
 (C) registrar
 (D) All of the above

Q. 17. The Category II Merchant Banker cannot act

- Ans.** (A) underwriter
 (B) lead manager
 (C) Co-manager
 (D) All of the above

Q. 18. The category III merchant banker can

- Ans.** (A) Advisor
 (B) portfolio manager
 (C) underwriter
 (D) All of the above

- Q. 19.** The category IV merchant banker cannot act as
- Ans.** (A) Co-Manager
(B) underwriter
(C) advisor
(D) All of the above
- Q. 20.** The limit fixed for the fees payable to managers is
- Ans.** (A) 1% (B) 1 1/2%
(C) 2% (D) No limit
- Q. 21.** A Non-underwritten issue can be kept open for a maximum period of
- Ans.** (A) 2 days (B) 10 days
(C) 21 days (D) 30 days
- Q. 22.** Firm Allotment to Financial Institutions is equivalent to-
- Ans.** (A) Part of public offer
(B) Employees quota
(C) Promoter's quota
(D) Any one of them
- Q. 23.** Every prospectus should be registered with-
- Ans.** (A) RBI
(B) Central Govt.
(C) SEBI
(D) Registrar of Companies
- Q. 24.** The registration of Mutual Funds with SEBI is-
- Ans.** (A) Compulsory
(B) Optional
(C) None of the above
(D) Differ case to case

SECURITIES AND EXCHANGE BOARD OF INDIA (MERCHANT BANKERS) RULES, 1992

Q. 25. Securities and Exchange Board of India (Merchant Bankers) Rules, 1992 were published In Gaz. of India, dated

- Ans.** (A) 12 November, 1992
(B) 22 November, 1992
(C) 12 December, 1992
(D) 22 December, 1992

Q. 26. Merchant Banker means

- Ans.** (A) a schedule banker
(B) a person dealing in finance
(C) a person engaged in the business of issue management
(D) None of the above.

Q. 27. A person can carry as a merchant banker only if he is

- Ans.** (A) a registered schedule bank
(B) having a certificate granted by the Board
(C) registered with the Reserve Bank of India
(D) registered with a Stock Exchange.

Q. 28. The certificate of registration will be valid for a period of

- Ans.** (A) 1 year (B) 2 years
(C) 3 years (D) 5 years

Q. 29. Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992 were Pub. In Gaz. of India

- Ans.** (A) 10 October, 1992
(B) 12 November, 1992
(C) 22 December, 1992
(D) 12 January, 1993

Q. 30. An application for grant of certificate for a Merchant Banker shall be in

Ans. (A) Form A (B) Form B
(C) Form C (D) Form D

Q. 31. The Merchant Bankers are of

Ans. (A) Two categories
(B) Four categories
(C) Six categories
(D) Eight categories

Q. 32. The work of category I Merchant Banker is

Ans. (A) to carry on any activity of the issue management
(B) to act as consultant
(C) to act as underwriter
(D) to act as portfolio manager.

Q. 33. The work of category II Merchant Banker is

Ans. (A) to act as adviser
(B) to act as co-manager
(C) to act as underwriter
(D) All of the above

Q. 34. Category III Merchant Banker act as

Ans. (A) underwriter & adviser
(B) underwriter & consultant to an issue
(C) underwriter, adviser & consultant to an issue
(D) consultant to an issue

Q. 35. The work of category IV Merchant Banker is to

Ans. (A) act as adviser
(B) act as underwriter
(C) act as portfolio manager
(D) act as a broker

Q. 36. The minimum net worth required for category I Merchant Banker is

Ans. (A) Rs. 1 Crore
(B) Rs. 2 Crore
(C) Rs. 5 Crore
(D) Rs. 7 Crore

Q. 37. Category II Merchant Banker should have a minimum net worth of

**Ans. (A) Rs.10 Lacs (B) Rs. 20 Lacs
(C) Rs.50 Lacs (D) Rs. 1 Crore**

Q. 38. The minimum net worth required for category III Merchant Banker is

**Ans. (A) Rs.10 Lacs (B) Rs. 20 Lacs
(C) Rs.50 Lacs (D) Rs. 1 Crores**

Q. 39. Category IV Merchant Banker should have a minimum net worth of

**Ans. (A) Rs.10 Lacs (B) Rs. 5 Lacs
(C) Rs. 2 Lacs (D) Nil**

Q. 40. The Board shall grant a certificate of registration in

**Ans. (A) Form A (B) Form B
(C) Form C (D) Form D**

Q. 41. The Merchant Banker may, if he so desires, make an application for renewal in Form A before the expiry of the period of certification in

**Ans. (A) Form A (B) Form B
(C) Form C (D) Form D**

Q. 42. Every Merchant Banker shall abide by the code of conduct as specified in

**Ans. (A) schedule I
(B) schedule II
(C) schedule III
(D) schedule IV**

Q. 43. Every Merchant Banker shall keep and maintain

**Ans. (A) a copy of balance sheet & profit & loss a/c
(B) a copy of auditors report
(C) a statement of financial position
(D) all of the above**

Q. 44. Every Merchant Banker shall furnish to the Board unaudited financial results for the period of

- Ans.** (A) every 3 months
(B) every 6 months
(C) yearly
(D) every month

Q. 45. The Merchant Banker shall preserve the book of account for a minimum period of

- Ans.** (A) 2 years
(B) 3 years
(C) 5 years
(D) 7 years

Q. 46. All issues should be managed by atleast

- Ans.** (A) one underwriter
(B) one broker
(C) one merchant banker
(D) one consultant

Q. 47. If any issue is of less than Rs. 50 Crores, the maximum number of lead Merchant Bankers can be

- Ans.** (A) one (B) two
(C) three (D) four

Q. 48. If any issue is greater than Rs. 50 crores but less than Rs. 100 crores the maximum number of lead Merchant Bankers can be

- Ans.** (A) two (B) three
(C) four (D) five

Q. 49. In case issue is greater than Rs. 100 crores but less than Rs. 200 crores, the maximum number of lead Merchant Bankers can be

- Ans.** (A) two (B) three
(C) four (D) five

Q. 50. In case issue is greater than Rs. 200 crores but less than Rs. 400 crores, the maximum number of lead Merchant Bankers can be

- Ans.** (A) two (B) three

(C) five

(D) seven

Q. 51. If any issue is above Rs. 400 crores, the maximum number of lead Merchant Bankers can be

Ans. (A) two (B) three
(C) four (D) five or
more as may be agreed by Board

Q. 52. The responsibilities of a lead manager should be furnished to the Board a month before

Ans. (A) the lead manager is appointed
(B) the issue is going to close
(C) the opening of the issue
(D) the lead manager start working

Q. 53. A lead manager shall not be associated with any issue, if

Ans. (A) a merchant banker who is holding a certificate is associated with the issue
(B) a merchant banker who is not holding a certificate is associated with the issue
(C) A & B both
(D) None of the above

Q. 54. The lead Merchant Banker holding a certificate under category I shall accept a minimum underwriting obligation of -

Ans. (A) 5% of the total underwriting commitment or Rs. 25 lacs whichever is less
(B) 7% of the total underwriting commitment or Rs. 25 lacs whichever is higher
(C) Either 10% the total underwriting commitment or Rs. 50 lacs, any of these two
(D) only 4% of the total underwriting commitment.

Q. 55. The lead Merchant Banker, responsible for verification of the contents of a prospectus, shall submit to the Board a due diligence certificate in form, atleast

Ans. (A) 10 days prior to the opening of the issue for subscription

- (B) 10 days prior to the closing of the issue
- (C) 2 weeks prior to the opening of the issue for subscription.
- (D) at any time, which he thinks to be proper

Q. 56. The lead managers shall furnish to the Board, the

- Ans.**
- (A) particulars of the issue
 - (B) draft prospectus
 - (C) literature to be circulated to the investors
 - (D) All of the above

Q. 57. The documents to be furnished by lead managers to the Board, should be furnished

- Ans.**
- (A) within 10 days of opening of the issue
 - (B) 10 days prior to the opening of the issue
 - (C) two weeks prior to the date of filing of draft prospectus
 - (D) 10 days before the closing of the issue

Q. 58. The lead managers shall continue

- Ans.**
- (A) till the closing of the issue
 - (B) till the opening of the issue
 - (C) till the subscribers have received the share or debenture certificates or refund of excess application money
 - (D) till the first general meeting of its share holders

Q. 59. A Merchant Banker shall disclose to the Board

- Ans.**
- (A) his responsibilities with regard to the management of the issue
 - (B) any change in the information or particulars previously furnished
 - (C) the names of the body corporate whose issue he has managed
 - (D) All of the above

Q. 60. The inspecting authority is appointed by

- Ans.**
- (A) the co. making a issue
 - (B) the RBI
 - (C) the Merchant Banker
 - (D) the SEBI

Q. 61. The Inspecting authority is appointed to

- Ans.** (A) ensure that the books of account are being maintained in the manner required
(B) the provisions of the Act, Rules & Regulations are being complied with
(C) investigate into the complaints received from investors
(D) All of the above

Q. 62. A Merchant Banker who contravenes any of the provisions of the Acts, Rules & Regulations shall be liable

- Ans.** (A) for suspension of registration
(B) for cancellation of registration
(C) any one of the above A & B
(D) Both of the above A & B

Q. 63. No order of penalty of suspension or cancellation shall be imposed except after

- Ans.** (A) getting the consent from the stock exchange
(B) giving him a 6 months notice
(C) holding an inquiry
(D) consulting the Central

Q. 64. On receipt of the report from the enquiry officer, the Board shall issue a

- Ans.** (A) letter to the Merchant Banker
(B) show cause notice to Merchant Banker
(C) letter to Central Govt. for approval
(D) letter to RBI for consultation

Q. 65. The Merchant Banker shall send a reply to the Board within

- Ans.** (A) 10 days (B) 14 days
(C) 21 days (D) 30 days

Q. 66. The Board after considering the reply of the show-cause notice, pass such order as it deems fit not later than

- Ans.** (A) 10 days (B) 15 days
(C) 30 days (D) 45 days

Q. 67. On suspension, a Merchant Banker shall

- Ans.** (A) cease to carry on any activity during the period of suspension
(B) cease to carry on any activity forever
(C) cease to carry on any activity for a period of 3 months
(D) None of the above

Q. 68. On cancellation, a Merchant Banker shall

- Ans.** (A) cease to carry on any activity during the period of suspension
(B) cease to carry on the activity forever
(C) cease to carry on any activity for a period of 3 months
(D) None of the above

Q. 69. The order of suspension or cancellation of certificate shall be published in

- Ans.** (A) a Newspaper
(B) two daily Newspapers
(C) all the National Newspapers
(D) Nowhere

Q. 70. Any person aggrieved by an order of the Board may prefer an appeal to

- Ans.** (A) the Stock Exchange
(B) the RBI
(C) the Board
(D) the Central Government

SECURITIES & EXCHANGE BOARD OF INDIA
REGISTRARS TO AN ISSUE & SHARE TRANS-
FER AGENTS RULES & REGULATIONS, 1993

Q. 71. The SEBI (Registrars to an Issue and share transfer agents) Rules, were published in Gaz of India on dated.

- Ans.** (A) 20th January, 1993
(B) 31st May, 1993

- (C) 31st August, 1993
- (D) 20th September, 1993

Q. 72. Share transfer agent means

- Ans.** (A) An agent of the company who collects shares to be transferred from share brokers & sends them to the co. for transfer.
- (B) A person who purchases securities from the market & gets them transferred in his name.
- (C) A person who maintains the record of holders of securities and deals with all matters connected with the transfer and redemption of securities.
- (D) None of them.

Q. 73. A person to work as a registrar to an issue or as a share transfer agent should have-

- Ans.** (A) A permission from the Central Govt.
- (B) An approval from the stock exchange.
- (C) consent from RBI.
- (D) A certificate of registration from SEBI.

Q. 74. The SEBI (Registrars to an issue and share transfer agents) Regulation were published in the Gaz of India dated

- Ans.** (A) 20th January, 1992
- (B) 31st March, 1993
- (C) 31st May, 1993
- (D) 31st December, 1993

Q. 75. An application for grant of a certificate is made in

- Ans.** (A) Form 1 (B) Form 2
- (C) Form A (D) Form B

Q. 76. How many categories the registrar's or share transfer agents can.

- Ans.** (A) 1 (B) 2
- (C) 3 (D) 4

Q. 77. The work of category I registered person is to

- Ans.** (A) Carry on the activities as a registrar to an issue.
- (B) Carry on the activities as a share transfer agent.

- (C) Carry on the activities of both.
- (D) Carry on the activities of one of the above.

Q. 78. The work of category II registered person is to

- Ans.** (A) Carry on the activities as a registrar to an issue.
(B) Carry on the activities as a share transfer agent.
(C) Carry on the activities of both.
(D) Carry on the activities either as a registrar to an issue or as a share transfer agent.

Q. 79. The minimum net worth which category I person should have is-

- Ans.** (A) Rs 2 Lacs
(B) Rs 3 Lacs
(C) Rs 6 Lacs
(D) Rs 9 Lacs

Q. 80. The minimum net worth which category II person should have is

- Ans.** (A) Rs 2 Lacs
(B) Rs 3 Lacs
(C) Rs 6 Lacs
(D) Rs 9 Lacs

Q. 81. The meaning of net worth in case of an individual and a body corporate can be

- Ans.** (A) Same
(B) Different
(C) Both
(D) None of the above

Q. 82. In case of proprietary concern or a firm or an association of persons or any body of individuals, the net worth means.

- Ans.** (A) The value of capital contributed to such business by the applicant
(B) The free reserves of any kind belonging to the business of the applicant.
(C) Both of the above combined
(D) none of the above

Q. 83. In case of a body corporate, the net worth means

- Ans.** (A) the value of the paid up capital
(B) The free reserves
(C) Both of the above A & B
(D) Either of the above A & B

Q. 84. The certificate of registration as a registrar and a share transfer agent will be in

- Ans.** (A) Form A (B) Form B
(C) Form C (D) Form D

Q. 85. The application of renewal of certificate will be in

- Ans.** (A) Form A (B) Form B
(C) Form C (D) Form D

Q. 86. The refusal to grant or renew the certificate shall be communicated by the board within

- Ans.** (A) 10 Days (B) 15 Days
(C) 30 Days (D) 60 Days

Q. 87. On receiving the intimation of refusal, the applicant may apply for reconsideration within

- Ans.** (A) 15 Days (B) 30 Days
(C) 40 Days (D) 60 Days

Q. 88. The code of conduct for registrars & share transfer agents has been provided in

- Ans.** (A) Schedule I
(B) Schedule II
(C) Schedule II A
(D) Schedule III

Q. 89. The registrar and share transfer agent, being a body corporate, shall keep

- Ans.** (A) A copy of balance sheet and profit & loss account.
(B) A copy of the auditor's report
(C) A statement of capital adequacy requirements
(D) All of the above.

Q. 90. The registrar and share transfer agent, not being a body corporate shall keep a record of

- Ans.** (A) All sums of money received & expended.
(B) Assets & liabilities.
(C) Capital adequacy requirements for each quarter
(D) all of the above

Q. 91. The books of accounts and records & documents shall be preserved by registrar to an issue or share transfer agent atleast for a period of

- Ans.** (A) 1 Year (B) 3 Years
(C) 2 Years (D) 1 1/2 Years

Q. 92. The inspecting authority is appointed by board to

- Ans.** (A) Ensure that the books of accounts and other books are being maintained in the manner required.
(B) investigate into the complaints received from investors.
(C) Investigate suo-moto in the interest of securities market.
(D) All of the above.

SECURITIES & EXCHANGE BOARD OF INDIA
(STOCK BROKERS & SUB-BROKERS)
RULES, 1992

EDITORIAL NOTE:- For multiple choice questions on Stock Brokers & Sub-Brokers, please see the part I of the book.

SECURITIES & EXCHANGE BOARD OF INDIA
(MUTUAL FUNDS) REGULATIONS, 1993

Q. 93. The Regulations for Mutual Funds were framed in the year

- Ans.** (A) 1990 (B) 1991
(C) 1992 (D) 1993

Q. 94. The regulations for mutual funds were published in Gaz. of India on dated

- Ans.** (A) 20 January, 1991
(B) 20 March, 1992
(C) 20 January, 1993
(D) 20 March, 1993

Q. 95. Application for the registration of mutual fund is made in

- Ans.** (A) Form A (B) Form B
(C) Form 1 (D) Form 2

Q. 96. Every application should be accompanied with

- Ans.** (A) application fee
(B) an agreement
(C) a Chartered Accountant certificate
(D) a Central Govt. approval

Q. 97. The Board may appoint one or more persons as Inspecting authority to undertake the

- Ans.** (A) inspection of share market
(B) inspection of mutual funds office
(C) inspection of books of accounts, records and documents of mutual fund
(D) inspection of share transactions

Q. 98. Before inspection, a notice shall be given of atleast

- Ans.** (A) 7 days (B) 10 days
(C) 15 days (D) 21 days

Q. 99. The inspecting authority shall furnish inspection report to the

- Ans.** (A) Company (B) Board
(C) RBI (D) Central Govt.

Q. 100. On receipt of the report from the enquiry officer, the Board shall issue a

- Ans.** (A) suspension order
(B) cancellation order
(C) show cause notice
(D) penalty order

(b) FILL IN THE BLANKS

NOTE:- Complete the following sentences by filling appropriate words/phrases. For correct answers, please see the Answer Sheet.

- (1) The main intermediaries involved in any public issue are collecting bankers, underwriters, advertising agents, advisors & solicitors.
- (2) are the persons or managers who are specialised to manage the entire
- (3) Merchant bankers the company in drafting the
- (4) Merchant bankers decides the pattern of
- (5) The securities and exchange board of India (merchant bankers) rules were framed in the year,
- (6) Merchant banker means any person who is engaged in the business of
- (7) No person shall carry on any activity as a merchant banker unless he holds a certificate granted by the under the regulation.
- (8) The certificate of registration as a merchant banker is valid for a period of
- (9) The application by a person for grant of a certificate as merchant banker shall be made in of the regulations.
- (10) There can be of merchant bankers.
- (11) The merchant banker act as adviser, consultant, co-manager, underwriter and portfolio manager.
- (12) A net worth of is required for the merchant banker.
- (13) before the expiry of the period of certificate, the merchant banker, may if he so desires, make an application for in form a.
- (14) If the issue is of less than the number of lead merchant bankers can not exceed two.

- (15) The securities and exchange board of India (Registrar to an issue and share transfer agents) rules came into force in the year,
- (16) The registrar to an issue and share transfer agent can be of
- (17) The category carry on the activities as a registrar to an issue and share transfer agent.
- (18) A person who carry on the activity either as a registrar to an issue or comes under the category
- (19) The securities and exchange board of India (mutual funds) regulations were framed in the year,
- (20) Mutual fund means a fund established in the form of a by a sponsor to raise monies by the through the sale of units to the public.
- (21) Every shall be constituted in the form of a trust in accordance with the provisions, of the Indian, trusts Act, 1882.
- (22) No mutual fund may keep a close ended scheme open for subscription for more than
- (23) Every mutual fund shall follow a formula approved by the board, for computing the
- (24) Every shall have its accounts audited by who shall be different from the auditor of the asset management company

(c) TRUE & FALSE QUESTIONS

NOTE :- Some of the following statements are False. Please find, which are False. For correct answers, please see the

some
are

- (1) The persons involved in any mediator, are called intermediaries.
- (2) The persons specialised to manage issue are called merchant bankers.

- (3) The merchant bankers assist the formation of a company.
- (4) The merchant bankers advise on capital structure of the company and decide upon the instrument to the issue.
- (5) Any person can work as a merchant banker.
- (6) A certificate of registration is granted by the reserve bank of India to a merchant banker.
- (7) The merchant bankers can be of 4 categories.
- (8) category 1 merchant banker carry on any activity of the issue management.
- (9) Category IV merchant banker act as an adviser, underwriter and consultant to an issue.
- (10) Category II merchant banker should have a net worth of Rs. 50,00,000.
- (11) A merchant banker, may if so desires, make an application for renewal in form A.
- (12) Every merchant banker shall furnish to the board yearly unaudited financial results when required by the board
- (13) All issues should be managed by atleast one merchant banker, functioning as the lead merchant banker
- (14) If the issue is less than Rs. 100 crors but greater than Rs. 50 crores, 3 lead merchant bankers may be appointed.
- (15) The lead merchant banker shall, agree to manage the issue made by any body corporate, if such corporate is an associate of the lead merchant banker
- (16) Registrar to an issue means the person appointed by a body corporate or any person or group to collect applications from investors. & keep a proper record of applications & monies received
- (17) Share transfer agent means any person who collects the securities from investores & send those securities to various companies for transfer
- (18) No person shall act either as a registrar to an issue or as a share transfer agent unless he holds a certificate granted by the board over the equitations.

- (19) An application by a registrar to an issue or a share transfer agent for grant of a certificate is made to the board in form A.
- (20) There can be 4 categories of registrars to an issue and share transfer agents.
- (21) The registrar to an issue or share transfer agent may, make an application in form A for renewal of certificate before 3 months of the expiry of the period of certificate.
- (22) Mutual fund means a fund established from the money collected from public.
- (23) An application for registration of a mutual fund shall be made in form A by the sponsor and shall be addressed to the board.
- (24) Every mutual fund shall keep and maintain proper books of accouts, records and documents.

(d) ONE SENTENCE ANSWERS

NOTE:- Answer the following questions in one sentence.

Q. 1. How many intermediaries are involved in any public issue ?

Ans. The main intermediaries involved in any public issue are merchant banker, collecting banker, registrar, under-writers & borkers, advertisig agents, advisors & solici-toars.

Q. 2. What do you mean by a merchant banker ?

Ans. A merchant banker means any person who is engaged in the business of issue management.

Q. 3. What is the pre-requirement to work as a merchant banker ?

Ans. Any person who wants to carry on activity as a merchant banker must hold a certificate granted by the board under the regulations.

Q. 4. For how much time, can a certificate of registration is valid ?

Ans. The certificate of registration is valid for a period of 3 years from the date of its issue to the applicant.

Q. 5. How many types of merchant bankers have been prescribed by the law ?

Ans. The law provides for 4 categories of merchant bankers.

Q. 6. Define the procedure for registration of a merchant banker.

Ans. Board on being satisfied that the applicant is eligible shall grant a certificate in form B and send an intimation to the applicant mentioning the category for which the board has granted the certificate.

Q. 7. What is the effect of refusal to grant a certificate to a merchant banker ?

Ans. Any merchant banker whose application for a certificate has been refused by the board shall on and from the date of the receipt of the communication, cease to carry on any activity as a merchant banker.

Q. 8. Define "Registrar to an issue".

Ans. 'Registrar to an issue' means the person appointed by a body corporate or any person or group to collect applications, keep a record of applications & monies and assist in determining the basis of allotment of securities.

Q. 9. Who is a 'share transfer agent'.

Ans. Any person, who on behalf of any body corporate, maintains the record of holders of securities issued by such body corporate and deals with the transfer and redemption of its securities, is called a share transfer agent.

Q. 10. Define the procedure for application for grant of a certificate.

Ans. The application by a registrar to an issue or a share transfer agent for grant of a certificate shall be made to the board in form A & the board on being satisfied that the applicant is eligible, shall send an intimation to the applicant mentioning the category for which the applicant has been found eligible and grant a certificate in form B subject to payment of fees.

Q. 11. Define a mutual fund.

Ans. A 'Mutual fund' means a fund established in the form of a trust by a sponsor to raise monies by the trustees through the sale of units to the public under one or more schemes for investing in securities.

Q. 12. What are the conditions for the registration of a mutual fund ?

Ans. The board shall take into account all matters which are relevant to efficient and orderly conduct of the affairs of a mutual fund.

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CAPITAL MARKET IN INDIA

4 MODEL QUESTION PAPERS

PRIMARY & SECONDARY - ITS WORKING & OPERATIONS

(a) MULTIPLE CHOICE QUESTIONS

NOTE : Out of the four options given under every question, only one is correct. Please find which one is correct. For correct answers, please see the Answer Sheet.

Q. 1. How many markets are there in Indian Capital Market.

- Ans.** (A) 1 (B) 3
(C) 5 (D) 7

Q. 2. Name the categories of Capital Markets in India-

- Ans.** (A) Primary & Secondary
(B) Primary & Money
(C) Primary, Secondary & Money
(D) Primary, Secondary & Securities

Q. 3. Primary Market is a market of

- Ans.** (A) New issues
(B) Old issues
(C) Debentures
(D) Bonds

Q. 4. The operations of primary market includes

- Ans.** (A) New issues of shares & further & right issues
(B) Public offers
(C) Issue of Debt Instruments
(D) All of the above

Q. 5. Merchant Banker is associated with

- Ans.** (A) Secondary Market
(B) Primary Market
(C) A & B above
(D) None of the above

Q. 6. The intermediaries associated with the primary market are

- Ans.** (A) Merchant Banker & Registrar
(B) Underwriter & Broker to the issue
(C) Adviser to the issue
(D) All of the above

Q. 7. Main function of secondary market is-

- Ans.** (A) Trading of scrips
(B) Trading of only shares
(C) Trading of only Debentures
(D) None of the above

Q. 8. The securities in stock exchange are traded through-

- Ans.** (A) Brokers to the issue
(B) Stock exchange members
(C) Merchant Bankers
(D) Underwriters

Q. 9. Which one of the following is not an intermediary associated with the secondary market

- Ans.** (A) Portfolio Manager
(B) Merchant Banker
(C) Transfer Agent
(D) Member Broker of a stock exchange

NUMBER OF RECOGNISED STOCK EXCHANGES

Q. 10. How many stock exchanges are recognised in India?

- Ans.** (A) 5 (B) 20
(C) 21 (D) 23

Q. 11. Which is the first stock exchange of India

- Ans.** (A) Delhi Stock exchange
(B) Calcutta stock exchange
(C) Bombay stock exchange
(D) Madras stock exchange

Q. 12. Out of the following which stock exchange is not working

- Ans.** (A) Jaipur stock exchange
(B) Meerut stock exchange
(C) Kanpur stock exchange
(D) Vadodara stock exchange

Q. 13. Which one of the following does not possess permanent recognition

- Ans.** (A) Bombay stock exchange
(B) Delhi stock exchange
(C) Ahmedabad stock exchange
(D) Jaipur stock exchange

Q. 14. How many stock exchanges have got permanent recognition

- Ans.** (A) 5 (B) 7
(C) 9 (D) 10

PROCEDURE FOR PURCHASE/SALE OF SHARES IN SECONDARY MARKET

Q. 15. Who is the person, who works as an intermediary between a buyer & a seller-

- Ans.** (A) Underwriter
(B) Merchant Banker
(C) Banker, who is a member of a recognised stock exchange
(D) Transfer Agent

Q. 16. The order can be a

- Ans.** (A) Limit order
(B) Best market price order

- (C) Open order
- (D) Any one of the above 3

Q. 17. In case of a limit order

- Ans.** (A) a limit for the price is given
 (B) a limit for the quantity of shares is given
 (C) a limit of brokerage money is given
 (D) None of the above

Q. 18. In Best market price

- Ans.** (A) the client teels his broker to buy in the highest price
 (B) to sell at the highest price
 (C) to buy the best scrip in the market
 (D) All of the above

Q. 19. An open order is a order

- Ans.** (A) Which can be withdrawn at any time
 (B) the orderer has got the liberty to accept the contract or not
 (C) The broker is free to take his own decision
 (D) The broker can buy anything he wants

Q. 20. After receiving the order from his client, what is first step taken by a broker

- Ans.** (A) purchases & sells as per the instructions
 (B) see his old scrips to fulfil the requirement of his client
 (C) Deals in open market
 (D) enters that order in his order book mentioning the instructions given by his client.

Q. 21. A broker can executes the order

- Ans.** (A) on telephone
 (B) in open market
 (C) in stock exchange
 (D) Any where

Q. 22. When the contract note is prepared

- Ans.** (A) on receiving of the order
 (B) on entering the order in order book

- (C) on executing the order
- (D) on delivery

Q. 23. What is mentioned in a contract note-

- Ans.** (A) the total amount
 (B) the brokerage amount
 (C) the quantity & rate
 (D) none of the above

Q. 24. After making a contract note what is prepared next

- Ans.** (A) A delivery note
 (B) A credit note
 (C) A debit note
 (D) A settlement register and client's account

Q. 25. For delivery what are needed

- Ans.** (A) Actual Delivery
 (B) Bill
 (C) Delivery Note
 (D) All of the above

Q. 26. When payment is demanded from the client

- Ans.** (A) At the time of order
 (B) At the time of contract note
 (C) At the time of delivery note
 (D) At the time of delivery

Q. 27. Capital Issues (Control) Act, 1974 was repealed in the year-

- Ans.** (A) 1974 (B) 1986
 (C) 1992 (D) 1993

Q. 28. In money market, trading is done of-

- Ans.** (A) Short Term Liquid financial assets
 (B) Long term liquid financial assets
 (C) Middle term financial liquid assets
 (D) None of the above

Q. 29. Which instrument is not dealt in money market-

- Ans.** (A) Debenture
 (B) Commercial paper

- (C) Treasury Bill
- (D) All of the above

Q. 30. Which instrument is not dealt in capital market-

- Ans.** (A) Bond
(B) Shares
(C) Commercial paper
(D) Debenture

Q. 31. Which of the following has brought a revolution in Capital Market of India-

- Ans.** (A) Guidelines for investors protection & disclosure
(B) Guidelines for merchant bankers
(C) Guidelines for mutual funds
(D) Guidelines for stock brokers

Q. 32. In which market trading of scripts is done-

- Ans.** (A) Capital market
(B) Money market
(C) Secondary market
(D) Primary market

Q. 33. The stock exchange broker relates to-

- Ans.** (A) Money market
(B) Primary market
(C) Secondary market
(D) None of the above

Q. 34. Which one of the following is not associated with the secondary market-

- Ans.** (A) Merchant banker
(B) Investment consultant
(C) Stock broker
(D) Portfolio manager

Q. 35. Listing of a share of a company is necessary, to be listed in-

- Ans.** (A) Delhi stock exchange
(B) Regional stock exchange
(C) Madras stock exchange
(D) Bombay stock exchange

- Q. 36.** Listing of securities at stock exchange is done to-
- Ans.** (A) Aware shareholders about a company's performance
(B) Provide liquidity
(C) Avail tax benefits
(D) None of the above
- Q. 37.** In India, the concept of market makers was introduced by-
- Ans.** (A) Reserve Bank of India
(B) SEBI
(C) Central Govt. Finance Deptt.
(D) Over the counter Exchange of India
- Q. 38.** Risk, Capital and Technology Finance corporation Ltd, was promoted by-
- Ans.** (A) RBI (B) SEBI
(C) UTI (D) IFCI
- Q. 39.** Recognition to a Stock Exchange is granted by-
- Ans.** (A) SEBI
(B) RBI
(C) Ministry of Finance, Govt. of India.
(D) None of the above
- Q. 40.** The maximum number of members are in-
- Ans.** (A) Delhi Stock Exchange
(B) Calcutta Stock Exchange
(C) Bombay Stock Exchange
(D) Madras stock Exchange
- Q. 41.** The minimum number of members are in-
- Ans.** (A) Delhi Stock Exchange
(B) Jaipur Stock Exchange
(C) Mangalore Stock Exchange
(D) Bangalore Stock Exchange

CAPITAL MARKET IN INDIA

(b) FILL IN THE BLANKS

NOTE :- Complete the following sentences by filling appropriate words/phrases. For correct answers, please see the Answer Sheet.

CAPITAL MARKET IN INDIA

- (1) The Indian Capital Market can be categorised in categories.
- (2) The market is a market of new issues.
- (3) A is associated with the primary market.
- (4) The secondary market is a place where are traded.
- (5) A is an intermediary with the secondary market.

NUMBER OF RECOGNISED STOCK EXCHANGES

- (6) In India stock exchanges have been recognised so far.
- (7) Out of only stock exchanges are permanently recognised.
- (8) The of India is Bombay.

PROCEDURE FOR PURCHASE/SALE OF SHARES IN SECONDARY MARKET

- (9) The person who wants to or a security places his order with a member of a recognised stock exchange.
- (10) On receiving the order, the broker enters that order in his
- (11) After this the broker executes the order in the
- (12) The execution of a enables a broker to prepare a contract note.

CAPITAL MARKET IN INDIA

(c) TRUE AND FALSE QUESTIONS

NOTE :- Some of the following statements are True and some of them are False. Please find, which are True and which are False. For correct answers, please see the Answer Sheet.

CAPITAL MARKET IN INDIA

- (1) The Indian capital market can be categorised in 3 categories.
- (2) The primary market is a market of new issues.
- (3) The primary market operations include only new issues of a new company.
- (4) A Merchant Banker is associated with the primary market.
- (5) A member of stock exchange deals in primary market.
- (6) Secondary market is a place where scripts are traded.
- (7) A transfer agent is associated with a secondary market.
- (8) A Registrar is associated with a secondary market.

NUMBER OF RECOGNISED STOCK EXCHANGES

- (9) In India in all 23 stock exchanges are recognised.
- (10) Only few of total recognised stock exchanges have got permanent recognition.
- (11) 9 stock exchanges of a total of 23, are permanently recognised.
- (12) The first stock exchange of India is Bombay.

PROCEDURE FOR PURCHASE/SALE OF SHARES

- (13) A person who wants to purchase or sell a share places a paper advertisement.
- (14) The order of the person interested to buy or sell can be a limit order or a best market price order or an open order.
- (15) After receiving the order, the broker roughly writes on his writing pad.
- (16) The execution of that order is done in the stock exchange.
- (17) After completing the execution of the order, the next step is to prepare a contract note.
- (18) This contract note is sent to the ordering person for the collection of the payment before delivery.

CAPITAL MARKET IN INDIA

(d) ONE SENTENCE ANSWERS

NOTE :- Answer the following questions in one sentence.

CAPITAL MARKET IN INDIA

Q. 1. How many markets are found in Indian Capital market.

Ans. There are 3 type of markets in the Indian Capital Market.

Q. 2. What is a primary market ?

Ans. Primary market is a market of new issues of shares by new & existing companies & further & righter issues to existing shareholders.

Q. 3. Name the intermediaries associated with a primary market.

Ans. The intermediaries associated with the primary market are merchant banker, registrar underwriter, broker to the issue & adviser to the issue.

Q. 4. What is a secondary market ?

Ans. Secondary market is a market where scripts are traded.

Q. 5. Which intermediaries are associated with secondary market ?

Ans. The intermediaries associated with secondary market are member brokers of a stock exchange, portfolio manager, Investment Adviser & Transfer Agent.

PROCEDURE FOR PURCHASE/SALE OF SHARES IN SECONDARY MARKET

Q. 6. What is the first step in dealing a security in secondary market?

Ans. The first step is an order from the person intending to buy & sell a security.

Q. 7. Where does a broker enters the order received ?

Ans. On receiving the order the broker enters that order in his order book mentioning the instructions given by his client.

Q. 8. Where does the order is executed ?

Ans. The orders received by a stock broker by his clients are executed in stock exchange.

Q. 9. What is a credit note ?

Ans. A credit note is a note in which the share broker enters the quantity, rate, the name of the security & the name of the person for whom such order has been executed.

STOCK PRICES & INDEX(A) MULTIPLE CHOICE QUESTIONS

NOTE : Out of the four options given under every question, only one is correct. Please find which one is correct. For correct answers, please see the Answer Sheet.

Q. 1. The stock prices are reflected by-

- Ans.** (A) Company's Balance Sheet
(B) Company's prospectus
(C) Quotations of companies
(D) SEBI's norms.

Q. 2. The price of a share at the time of issue is fixed by-

- Ans.** (A) The company
(B) The lead manager
(C) The company & the lead manager
(D) None of the above

Q. 3. Whose approval is necessary for the allotment of bonus shares-

- Ans.** (A) SEBI
(B) Members
(C) RBI
(D) Central Govt.

Q. 4. Bonus shares are declared out of-

- Ans.** (A) Profit
(B) Free Reserves
(C) Surplus
(D) Free Reserves & Surplus

Q. 5. Cost of Bonus share is taken as-

- Ans.** (A) The face value of a share

- (B) Nil
- (C) The average cost of original share and bonus share
- (D) Market value of that share

Q. 6. The maximum period for which a right issue can be kept open is-

- Ans.** (A) 15 days (B) 30 days
(C) 45 days (D) 60 days

Q. 7. The number of mandatory collection centres for a right issue is-

- Ans.** (A) 5 (B) 10
(C) 15 (D) 21

Q. 8. The private collection agencies do not accept-

- Ans.** (A) Cheques (B) D.D.'s
(C) Cash (D) Pay orders.

Q. 9. 'Net worth' means-

- Ans.** (A) Total assets of a Co.
(B) Total liabilities of a Co.
(C) Net profit after deducting all expenses
(D) Total assets minus total liabilities

Q.10. Cost of equity capital means-

- Ans.** (A) Bonus given to shareholders
(B) Dividend paid to shareholders
(C) Cost of total project
(D) Minimum rate of return required by shareholders to keep the share prices unchanged

Q.11. The Dividend is paid out of-

- Ans.** (A) Funds of the Co.
(B) Reserves of the Co.
(C) Loans of the Co.
(D) Profits of the Co.

Q.12. The dividend should be paid within-

- Ans.** (A) 15 days (B) 21 days

- (C) 42 days (D) 60 days
from the date of its declaration.

Q.13. The total amount of dividend unpaid is transferred by the Co. in a special account after the lapse of 42 days, within-

- Ans.** (A) 3 days (B) 5 days
(C) 7 days (D) 11 days

Q.14. Every defaulter in payment of dividend shall be punishable for-

- Ans.** (A) 7 days imprisonment
(B) 7 days imprisonment & fine
(C) 15 days imprisonment
(D) Only fine

Q.15. Every Co. hold a general meeting within a period of not less than one month nor more than six months from the date at which the Co. is entitled to commence business. This meeting is called-

- Ans.** (A) Statutory meeting
(B) First meeting
(C) General meeting
(D) Opening meeting

Q.16. The Board of Directors, shall forward a report to every member of the company, at least-

- Ans.** (A) 7 days (B) 10 days
(C) 15 days (D) 21 days
before the day on which the meeting is held.

Q.17. Every Co. shall hold an annual general meeting-

- Ans.** (A) Once in 6 months
(B) Once in a year
(C) Once in 2 years
(D) Once in 3 years

Q.18. Every annual general meeting shall be called for a time during-

- Ans.** (A) Holidays
(B) Sundays

- (C) Business hours
- (D) Lunch hours

Q.19. In case of default, the company & every officer of the Co, who is in default, shall be punishable with fine which may extend to-

- Ans.**
- (A) Rs. 1,000/-
 - (B) Rs. 5,000/-
 - (C) Rs.10,000/-
 - (D) Rs.50,000/-

Q.20. In case the default continues, for a further fine which may extend to-

- Ans.**
- (A) Rs. 100/- per day
 - (B) Rs.1,000/- in all
 - (C) Rs. 250/- per day
 - (D) Rs.2,500/- in all

(b) FILL IN THE BLANKS

NOTE :- Complete the following sentences by filling appropriate word/phrases. For correct answers, please see the Answer Sheet.

- (1) The stock prices are reflected by the of companies listed.
- (2) The Bombay, Madras, Delhi & stock exchanges index their quotations.
- (3) Taking an index of shares and generalisation does not seem to be
- (4) There are important scrips which dominate the whole stock market.
- (5) The pricing of a share or stock is fixed by the & lead managers to the issue as per
- (6) From SEBI has directed that companies should indicate the premium amount on shares as computed on the basis of
- (7) Limited companies who are continuously will be permitted to fix the for further issues.

- (8) Where new companies making issue for the the issue will be only
- (9) In case of existing unlisted companies, the issue price will be determined by largely in consultation with the
- (10) Companies wishing to enhance their foreign share holding upto will be able to make issues at the price determined by the in a special resolution.
- (11) is a reserve which is distributed through & bonus shares to its shareholders by a company.
- (12) is the amount issued by companies to their shareholders free of cost by of available from profits earned in earlier years.
- (13) Dividend is a payment made to usually once or twice a year out of a after tax.
- (14) are the issue of fully paid up shares to existing shareholders without any payment in cash or otherwise from the shareholders.
- (15) The bonus shares are generally issued to paid-up capital of the company.
- (16) No bonus share shall be made within a period of months of any public or right issue.
- (17) The bonus issue is made out of built out of the or share premium collected in only.
- (18) The declaration of bonus issue in lieu of is not made.
- (19) The bonus issue is not made unless the if any, existing are made
- (20) A company which announces its bonus issue, must implement the proposals within a period of from the date of such approval.
- (21) Consequent to the issue of bonus shares if the subscribed and paid up capital the a resolution shall be passed by the company at its

general body meeting for increasing the authorised capital.

- (22) No bonus issue shall be made which will dilute the or of the holders of debentures.
- (23) Shares offered to the shareholders of a company are called the right shares.
- (24) A right offer is made by a specifying the offered.
- (25) The right offer is limited by a time not being less than from the date of offer, within which the offer is will be deemed to have declined.
- (26) After the expiry of the time given for the board of directors may dispose of them in as may be beneficial to the company.
- (27) The bonus shares are not issued through only a is sent to the shareholders.
- (28) The letter of offer is not required to be filed with
- (29) SEBI has issued on and certain clarification on regarding guidelines for right issues.

(c) TRUE & FALSE QUESTIONS

NOTE :- Some of the following statements are True and some of them are False. Please find, which are True and which are False. For correct answers, please see the Answer Sheet.

- (1) The stock prices are reflected by the quotations of unlisted companies.
- (2) All the stock exchanges in India index their quotations.
- (3) An index of 100 shares seem to be reasonable.
- (4) Only few scrips dominate the whole Indian stock market.
- (5) Capital reserve is the reserve which is never distributed among their shareholders.
- (6) Bonus is the amount issued by companies to their shareholders free of cost.

- (7) Dividend is the payment made to the employees by a company.
- (8) The pricing of a share or stock is fixed by the general public.
- (9) Listed companies which have been paying dividends continuously are permitted to fix the price for further issues.
- (10) New companies can issue its share on premium.
- (11) Bonus shares are the fully paid up shares issued to existing shareholders.
- (12) Bonus issue can be made by a company as & when it require to do so.
- (13) The Bonus issue is made out of free reserves built out of the genuine profits.
- (14) Reserves created by revaluation of fixed assets are not capitalised.
- (15) The bonus issue can also be made in lieu of dividend.
- (16) The bonus issue can be made even if the partly paid shares existed
- (17) Shares offered to the existing shareholders of a company are called right share.
- (18) A right offer is made in daily newspapers.

(d) ONE SENTENCE ANSWERS

NOTE :- Answer the following questions in one sentence.

Q. 1. What is a capital reserve ?

Ans. Capital reserve is a reserve which is distributed through dividends & bonus shares to its shareholders by a company.

Q. 2. What is a bonus ?

Ans. Bonus is the amount issued by a company to their shareholders free of cost by capitalisation of accumu-

lated reserves available from the profits earned in earlier years.

Q. 3. What is a dividend ?

Ans. Dividend is a payment made to shareholders once or twice a year out of company's profit after tax.

Q. 4. How does the price of a share is fixed ?

Ans. The pricing of a share or stock is fixed by the company and lead manager to the issue as per net asset value in the latest audited balance sheet.

Q. 5. Which company can fix the prices of their Issue ?

Ans. Listed companies which have made atleast one issue earlier and have been paying dividends continuously will be permitted to fix the price for further issues whether the issues are on a right basis or to public.

Qns. 6 Can a new company, Issue its share on premium ?

Ans. No, a new company making issue for the first time, can issue its share only at par.

Qns. 7 Why bonus shares are Issued ?

Ans. The bonus shares are generally issued to being in line paid up capital of the company with the capital employed or if the company have inadequate cash resources to pay dividend or to reward the shareholders.

Q. 8. What is the time duration for bonus Issue ?

Ans. The bonus issue cannot be made within a period of 12 months of any public or right issue

Q. 9. Can a bonus Issue be made In lieu of dividend ?

Ans. No, the declaration of bonus issue in lieu of dividend is not made.

Q. 10. After being approved, within what time a bonus Issue should have been made by the company ?

Ans. A company which announces its bonus issue after the approval of the board of directors must implement the proposals within a period of 6 months from the date of such approval.

Q. 11. What is a right share ?

Ans. Shares offered to the existing shareholders of a company are called the right shares.

Q. 12. How does a right offer is made ?

Ans. A right offer is made by notice specifying the number of shares offered and limiting a time not being less than 15 days from the date of offer, within which the offer is not accepted, will be deemed to have declined.

Q. 13. To whom does the SEBI's guidelines apply ?


Ans. The SEBI's guidelines apply only to rights issue made by existing listed companies and not to rights issue of any private companies.

Q. 14. How much gap is allowed between a right & a public issue ?

Ans. The gap between the closure dates of rights issue and public issue should not be more than 30 days.

Q. 15. Who should manage a right issue of above Rs. 50 lacs ?

Ans. The right issues of listed companies exceeding Rs. 50 lac must be managed by an authorised merchant banker.



SECURITY AND INVESTMENT ANALYSIS(a) MULTIPLE CHOICE QUESTIONS

NOTE :- Out of the four options given under every question, only one is correct. Please find which one is correct. For correct answer, please see the Answer Sheet.

Q. 1. The technique which forecast the future price of a share on the basis of past prices & volume data is called-

- Ans.** (A) General market technique
(B) Past market technique
(C) Stock price & volume technique
(D) Forecast technique

Q. 2. A general market technique is a technique, which determines the-

- Ans.** (A) Future trend of the market
(B) Past trend of the market
(C) Basic & general trend of stock prices
(D) None of these

Q. 3. To always go against the market technique is called-

- Ans.** (A) Reverse technique
(B) Contrary opinion technique
(C) Minus technique
(D) Negative technique

Q. 4. The analysis of funds flow tells us-

- Ans.** (A) Funds flow in & out of the Co.
(B) Funds flow from shareholders to the Co.
(C) Funds flow from Govt. to the Co.
(D) All of the above

Q. 5. Fund flow statement minus non cash flow items gives us a statement of-

- Ans.** (A) Cash flow
(B) Credit flow
(C) Profit & loss
(D) Interest to be paid

Q. 6. A Ratio analysis is-

- Ans.** (A) A systematic use of a ratio to analyse the statement
(B) An important tool of financial analysis
(C) A tool to measure a company's financial strength
(D) All of the above

Q. 7. Ratio's can be classified into-

- Ans.** (A) 2 categories
(B) 4 categories
(C) 6 categories
(D) 7 categories

Q. 8. The ratios which reflect the liquidity of a firm is called-

- Ans.** (A) Activity ratio
(B) Profitability ratio
(C) Liquidity ratio
(D) Leverage ratio

Q. 9. Excess of current assets over current liabilities is called-

- Ans.** (A) Net working capital
(B) Net profit
(C) Gross profit
(D) Gross working capital

Q.10. The higher the current ratio shows-

- Ans.** (A) Higher liabilities
(B) Higher funds
(C) Higher loans
(D) None of the above

Q.11. Current assets less prepaid expenses and inventory are called-

- Ans.** (A) Quick assets
(B) Current assets
(C) Current liabilities
(D) Current funds

Q.12. The ratio which determine the long term solvency of the company is called-

- Ans.** (A) Liquidity ratio
(B) Activity ratio
(C) Profitability ratio
(D) Leverage ratio

Q.13. Out of the following which affect the share prices-

- Ans.** (A) Market factors
(B) National factors
(C) Political factors
(D) All of the above

Q.14. Super quick ratio is calculated by dividing-

- Ans.** (A) Super quick current assets by current liabilities
(B) Super quick current liabilities by current assets
(C) Total liabilities by total assets
(D) Total assets by total liabilities

Q.15. Debt equity ratio is calculated by dividing-

- Ans.** (A) Long term debts by shareholders equity
(B) Short term debts by shareholders equity
(C) Shareholders equity by long term debts
(D) Shareholders equity by short term debts

Q.16. Gross profit margin is calculated by dividing-

- Ans.** (A) Gross profit by purchases
(B) Net profit by sales
(C) Gross profit by sales
(D) Net profit by purchases

(b) FILL IN THE BLANKS

NOTE :- Complete the following sentences by filling appropriate words/phrases. For correct answers, please see the Answer Sheet.

- (1) and volume techniques are techniques which forecast the future prices of a share on the basis of past prices and volume data.
- (2) determines the basis and the general trend of stock prices.
- (3) The way to always go against the market is called.....
- (4) The analysis of funds flow assists us in knowing how and what funds flow and of the company.
- (5) The analysis of funds flow helps us in answering that where does the goës.
- (6) Cash flow statement is the statement of cash and from business operations.
- (7)is defined as excess of current assets over current liabilities.
- (8) The ratio of total current assets to current liabilities is called
- (9) Ratio between quick current assets and current liabilities is called
- (10) Debtors turnover ratio is calculated by dividing by average debtors outstanding during the year.
- (11) Creditors turnover ratio is calculated by dividing net credit purchases by average
- (12) Debt Equity ratio is calculated by debts by shareholders equity or net worth.
- (13) Total debt is divided by total assets in debt to total.....
- (14) Interest coverage ratio is calculated by dividing operating or..... before interest and tax.
- (15) Gross profit margin is calculated by dividing gross profit by
- (16) A ratio in which expenses are divided by sales is called an

- (17) Stock turnover ratio is calculated by dividing cost of goods sold by
- (18) is calculated by dividing cost of goods sold by average total assets.
- (19) Capital turnover is obtained by dividing cost of goods sold by average
- (20) Working capital turnover is obtained by dividing..... by net working capital.

(c) TRUE & FALSE QUESTIONS

NOTE :- Some of the following statements are True and some of them are False. Please find, which are True and which are False. For correct answers, please see the Answer Sheet.

- (1) There are number of techniques to study a particular share price.
- (2) Stock price & volume techniques are the techniques which tells the current prices of a share.
- (3) General market techniques determines the basic & the general trend of stock prices.
- (4) The way to always go against the market is called contrary opinion techniques.
- (5) The ratio's tells us about a company's performance & financial condition.
- (6) To know the liquidity of a company, one must study its trading account.
- (7) Cash flow statement is the statement of only cash inflow.
- (8) The flow analysis helps us in guiding the testing of the business.
- (9) Ratio can be classified in 2 categories.
- (10) Liquidity ratio reflects the liquidity of the firm so as to meets its long term obligations.
- (11) Net working capital is defined as excess of current assets over current liabilities.

- (12) The net working capital depends upon firm to firm and nature of business carried.
- (13) Current ratio is the ratio of past assets to past liabilities.
- (14) The higher the current ratio, the smaller the funds available for meeting liability.
- (15) A company with a higher current ratio has more liquidity and short term solvency.
- (16) Acid test ratio is a ratio between quick current assets and current liabilities.
- (17) Acid test ratio is calculated by dividing quick liabilities by current assets.
- (18) Quick assets are current assets which can be realised quickly.
- (19) Super quick ratio is calculated by dividing super quick current assets by current liabilities.
- (20) Super quick current assets means cash & non market-able securities.
- (21) Inventory Turnover ratio is calculated by dividing the cost of goods sold by average inventory.
- (22) A high inventory turnover ratio is not good.
- (23) Debtors turnover ratio is calculated by dividing net credit sales by average debtors outstanding during the year.
- (24) A low ratio of debtors turnover ratio is always good.
- (25) Creditors turnover ratio is calculated by dividing net credit sales by average creditors.
- (26) A low creditors turnover ratio implies liberal credit.
- (27) Leverage ratios determine the long term solvency of the company.
- (28) The Leverage ratios reflect company's ability to payment of interest and repayment of principal.
- (29) Debt Equity ratio is calculated by dividing short term debts by shareholders equity or net worth.
- (30) To obtain debt to total capital ratio, total assets of the company is divided by total debts of the Co.
- (31) Coverage ratios are profit & loss account ratios.

- (32) Interest coverage ratio measures debt servicing capacity of a company.
- (33) A high interest coverage ratio is always good.
- (34) Dividend coverage ratio indicates the ability to pay dividend on preference shares.
- (35) Total coverage ratio indicates the ability of the company to service all its customers.
- (36) Profitability ratios indicate the adequacy of profits on sales.
- (37) Profit margin measures relationship between gross & net sales.
- (38) A high profit margin is good.
- (39) A low net profit margin shows adequate returns.
- (40) Expenses ratios are calculated by dividing expenses by sales.
- (41) Return on Assets ratio is calculated by dividing net profit by average total assets.
- (42) Return on total shareholders equity is calculated by dividing net profit after tax.
- (43) A high ratio of return on total shareholders equity is not good for a Co.
- (44) Net worth ratio is calculated by dividing the profit after taxes and preference dividend by average equity of shareholders.
- (45) Earning per share means the ratio between the market price & face value of a share.
- (46) Dividend pay out ratio is a ratio of dividend paid to earning per share of a company.
- (47) Earning price ratio is the ratio of earning per share to the market value per share.
- (48) Price earning ratio is calculated by dividing market price of a share by earning per share.
- (49) The activity ratios donot indicates the efficiency with which assets are used and converted into sales.
- (50) Stock turnover ratio indicates the number of times inventory is turned or replaced during the year.

- (51) Debtors turnover ratio indicates as to how fast debtors are converted into cash.
- (52) Debtors turnover ratios shows the relationship between debtors and creditors.
- (53) Asset turnover ratio shows the relation between cost of goods sold and investments of a company.
- (54) The ratios are used as a measure of efficiency in utilising and managing assets of a company.

(d) ONE SENTENCE ANSWERS

NOTE:- Answer the following questions in one sentence.

Q. 1. What should an investor do, before investing in a share ?

Ans. One must first of all study the past and the current market of that particular share in which he wants to invest.

Q. 2. How money techniques are available to study a share price ?

Ans. There are stock price & volume techniques, general market techniques and contrary opinion techniques to study a share price.

Q. 3. What is a fund flow analysis ?

Ans. A fund flow analysis is an analysis which assists us in knowing how and what funds flow in and out of the company.

Q. 4. What is a cash flow analysis ?

Ans. A cash flow analysis is the statement of cash inflow and outflow from business operations.

Q. 5. What is a ratio analysis ?

Ans. A ratio analysis is the systematic use of a ratio to analyse the statement so that strength and weaknesses of a company & its financial position can be ascertained.

Q. 6. In how many categories, ratios can be classified ?

Ans. Ratios can be classified in liquidity ratios, leverage ratios, profitability ratios and Activity ratios.

Q. 7. What reflects the liquidity ratios ?

Ans. Liquidity ratios reflect the liquidity of the firm so as to meet its short term obligations.

Q. 8. What is a net working capital ?

Ans. A net working capital is defined as excess of current assets over current liabilities.

Q. 9. What is a current ratio ?

Ans. It is the ratio of total current assets to total current liabilities.

Q. 10. How a quick ratio is obtained ?

Ans. A quick ratio is calculated by dividing quick assets by current liabilities.

Q. 11. How a super quick ratio is calculated ?

Ans. Super quick ratio is calculated by dividing super quick current assets by current liabilities.

Q. 12. How the liquidity is judged by a turnover ratio ?

Ans. Under turnover ratio, liquidity is judged by as to how quickly certain current assets are converted into cash.

Q. 13. Define a Leverage ratios.

Ans. Leverage ratios determine long term solvency of the company & these reflect company's ability to payment of interest and repayment of principal.

Q. 14. How a debt equity ratio is calculated ?

Ans. A debt equity ratio is calculated by dividing long term debts by shareholders equity or networth.

Q. 15. What is a debt to total capital ratio ?

Ans. Debt to total capital ratio is the ratio in which total debt is divided by total assets of the company.

Q. 16. What does profitability ratios shows ?

Ans. The profitability ratios indicate the adequacy of profits on sales.

Q. 17. What is an activity ratio ?

Ans. An activity ratio is a test of relationship between sales and assets of a company.

Q. 18. What factors affects the share prices ?

Ans. There are so many factors which affect the share prices, viz. political, social, economical, fiscal & other unexpected happenings.

Q. 19. Define market factors-

Ans. Market factors includes demand and supply for a particular script, floating stock, speculation, market sentiment, money supply position, buying-selling by financial institution, Backwardation charge, curbs, restrictions imposed by exchanges & trade cycles.

Q. 20. National Factors, Includes-

Ans. Political instability in the country, relationship with foreign neighbours, budgetary factors, agricultural & industrial production, normalcy of monsoon, Govt. policies, reforms, liberalisation, inflation & bank rates.

Q. 21. What are Industrial factors ?

Ans. Factors which have impact on industry for e.g. industrial growth and demand/supply pattern, profitability, risk element, competition, prospects, temporary recession

and impact of changes in Govt. policies are called industrial factors.

Q.22. List the factors which have a direct bearing on share prices.

Ans. The management, labour relations, growth record, pattern of existing stock holding, liquidity, pending litigation, financial analysis, tax exemptions, return on income, dividend policy, & any major event in the company directly affects the prices of share of that company.

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7 MODEL QUESTION PAPER

PROCEDURE OF SHARE TRANSFER/ ENDORSEMENT OF CALLS AND APPLICATION FOR NEW ISSUES

(a) MULTIPLE CHOICE QUESTIONS

NOTE :- Out of the four options given under every question, only one is correct. Please find which one is correct. For correct answers, please see the Answer Sheet.

Q. 1. Which section of the Companies Act, 1956 deals with the transfer of an instrument ?

Ans. (A) Sec 58 (B) Sec 100
(C) Sec 102 (D) Sec 108

Q. 2. The transfer instrument should be in Form No.-

Ans. (A) 1 (B) 1 A
(C) 5C (D) 7B

Q. 3. A transfer of share is complete, when-

Ans. (A) A person sells his security to other
(B) The buyer takes the delivery of security.
(C) The transfer deed is sent to the Co.
(D) The Co. registers the transfer deed.

Q. 4. A forged transfer -

Ans. (A) does not affect the title of the transferee
(B) does not pass any title to the transferee
(C) does not make any difference
(D) None of the above

Q. 5. A transfer deed should contain -

Ans. (A) Full name of the Co.
(B) Name of the stock exchange where dealt in

(C) Rs. 50/- (D) Rs. 100/-

Q. 12. If nominal value of shares is above Rs. 5000/- the fee payable for each transfer deed on revalidation is-

Ans. (A) Rs. 5/- (B) Rs. 25/-
(C) Rs. 100/- (D) Rs.150/-

Q. 13. If for any reason, transfer deed could not be delivered to the Company within stipulated time, the time can be extended by the-

Ans. (A) SEBI (B) RBI
(C) Central Govt. (D) Non of the above

Q. 14. Application for transfer should be made in Form No.-

Ans. (A) 7 (B) 7A
(C) 7B (D) 7C

Q. 15. Application can be made to-

Ans. (A) Registrar of Companies where transferee is residing
(B) Registrar of Companies where registered office of the Co. is situated
(C) Either A or B above
(D) None of the above

Q. 16. If the Company refuses to register the transfer, it shall send a notice of refusal with reasons to the transferee and the transferor with in

Ans. (A) 1 month (B) 2 months
(C) 3 months (D) 6 months
from the date on which the instrument was lodged.

Q. 17. The certificate of transfer shall be delivered to the transferee within-

Ans. (A) 1 month (B) 2 months
(C) 3 months (D) 6 months
from the date of application for transfer of shares

Q. 18. The process of transfer shall be complete

- Ans.** (A) upon entering in register
(B) upon sending the transferee
(C) upon delivery of certificad duly endorsed on the reverse in favour of the transferee
(D) upon receiving of share certificate by the transferee.

Q. 19. Shares can be transferred to-

- Ans.** (A) Natural persons
(B) Body of individuals
(C) Bodies corporate
(D) All of the above

Q. 20. Shares cannot be registered in-

- Ans.** (A) Partnership firm
(B) unincorporated trust
(C) society
(D) All of the above

Q. 21. When the transfer of shares is pending with the Co., the dividend-

- Ans.** (A) will be paid to the transferor
(B) will be transferred to a special account
(C) will be paid to the transferee
(D) will not be paid to any body.

Q. 22. The shares cannot be transferred for a certain period to -

- Ans.** (A) Promoters
(B) Employees
(C) Preferential quota allottees
(D) All of the above

Q. 23. The Co. can refuse to transfer if-

- Ans.** (A) Signature of tranferor donot tally with those in records of the Co.
(B) the date of execution being prior to the date of presentation to the prescribing authority.
(C) the information furnished is wrong or incorrect
(D) All of the above

Q. 24. Registration of transfer cannot be refused-

- Ans.** (A) Arbitrarily
(B) when the transfer deed is not time barred
(C) prejudicially
(D) None of the above

Q. 25. In case of a refusal to transfer, the reference should be made by a Co., to-

- Ans.** (A) The Company Law Board
(B) Transferor
(C) Transferee
(D) All of the above

Q. 26. When the Company Law Board directs a company to register the transfers, the company is obliged to give effect within-

- Ans.** (A) 3 days (B) 5 days
(C) 7 days (D) 10 days

Q. 27. In case the transfer is not made, even after the instructions from the Company Law Board, the officers in default shall be punishable with a fine which may extend to-

- Ans.** (A) Rs.1000/- (B) Rs. 2500/-
(C) Rs. 5000/- (D) Rs. 7500/-

Q. 28. If the Company refuses to register transfers, an appeal to the Company Law Board can be made within-

- Ans.** (A) 1 month (B) 2 months
(C) 3 months (D) 6 months
from the date of receipt of such notice.

Q. 29. All the share certificates should contain-

- Ans.** (A) Number of shares allotted
(B) the name & registered office of the company
(C) the name in which the shares have been allotted
(D) all of the above

Q. 30. A share certificate should be delivered after being allotted, within-

Ans. (A) 1 month (B) 2 months
(C) 3 months (D) 6 months

Q. 31. In case of delay in delivery of share certificate, the officer in default shall be punishable with fine upto-

Ans. (A) Rs. 5000/- (B) Rs. 100 per day
(C) Rs. 500 per day
(D) Rs. 10,000/-

Q. 32. The share certificate should be issued-

Ans. (A) well designed & printed on offset
(B) multicoloured
(C) under the seal of a Co.
(D) signed through a rubber stamp

Q. 33. To become a shareholder one must be of the age of-

Ans. (A) 18 years (B) 20 years
(C) 21 years (D) 25 years

Q. 34. In case of a shareholder, whose guardian has been appointed by a court, the minimum age of that shareholder should be-

Ans. (A) 18 years (B) 20 years
(C) 21 years (D) 25 years

Q. 35. A forfeited share can

Ans. (A) not be resold
(B) be sold
(C) not be disposed of
(D) None of the above

Q. 36. Lien on shares constitute equitable charge upon the shares for the debts due from the

Ans. (A) Merchant Bankers
(B) shareholders
(C) Brokers
(D) underwriters

- Q. 37.** The register of members may be closed by a company after giving not less than-
- Ans.** (A) 3 days (B) 7 days
(C) 15 days (D) 1 month
notice by advertisement in a newspapers circulating in a district in which the registered office of the Co. is situated.
- Q. 38.** The register of members cannot be kept closed for more than-
- Ans.** (A) 15 days (B) 21 days
(C) 30 days (D) 45 days
at one time.
- Q. 39.** The register of members cannot be kept closed for more than-
- Ans.** (A) 30 days (B) 45 days
(C) 60 days (D) 90 days
in a year
- Q. 40.** If a company keeps his register closed for more than the time prescribed under the law, the contravention attracts the penalty upto
- Ans.** (A) Rs. 5,000/- (B) Rs. 7,500/-
(C) Rs. 200/-per day (D) Rs. 500/-per day
- Q. 41.** In case of a joint holder, In case of death of a member,-
- Ans.** (A) only his own
(B) only his wife/husband as the case may be
(C) the survivor or survivors
(D) only one legal representative
shall be the persons recognised by the company as having any title to his interest in the shares.
- Q. 42.** Which of the document is necessary for effecting transmission-
- Ans.** (A) Death certificate
(B) succession certificate
(C) specimen signatures of the successors
(D) All of the above

Q.43. If transfer deed is typed, the delivery will be treated as-

- Ans.** (A) Bad
(B) Good
(C) None of the above
(D) Differ Co. to Co.

Q.44. If the transferor signatures are witnessed by a magistrate but the name of that witness is missing the delivery will be-

- Ans.** (A) Good
(B) Bad
(C) None of the above
(D) Differ Co. to Co.

Q.45. Share transfer from should be in-

- Ans.** (A) Form 6
(B) Form 7
(C) Form 7 B
(D) Form 8 B

Q.46. Which form is used for the extension of validity period of a transfer deed-

- Ans.** (A) Form 6
(B) Form 7 B
(C) Form 8 A
(D) Form 7 C

Q.47. The signature of which of the following is not required on transfer deed-

- Ans.** (A) Transferor
(B) Transferee
(C) Witness
(D) Company secretary

Q.48. Transfer of shares is subject to the approval of-

- Ans.** (A) Shareholders in general meeting.
(B) Board of directors
(C) RBI
(D) SEBI

Q.49. The share certificate to new registered shareholder should be delivered, after being transferred, within a period of-

- Ans.** (A) 2 months
(B) 3 months
(C) 4 months
(D) 6 months

Q.50. A transfer is complete, after-

- Ans.** (A) An application for transfer has been received by the Co.
(B) The seller has delivered the share certificate to the buyer.
(C) Delivery of certificate duly endorsed on reverse of certificate.
(D) None of the above.

Q.51. In case the registration of transfer is pending with the co., the co. should pay dividend to the-

- Ans.** (A) Transferor
(B) Transferee
(C) To both of them in equal ratio
(D) Not to both of them

Q.52. In case the registrations of transfer is pending with the co, the co. should give the benefit of bonus of right shares to-

- Ans.** (A) Transferor
(B) Transferee
(C) To both of them
(D) None of them

Q.53. Transfer of Debenture should be effected.

- Ans.** (A) Within 3 months of the issue
(B) Within 6 months of the issue
(C) Within 12 months of the closure of the issue
(D) No limitation of period

Q.54. A company may refuse to transfer a share if-

- Ans.** (A) The transfer deed is not proper
(B) The transfer deed is not signed by the transferor

- (C) The No. of shares written are wrong
- (D) All of the above

Q.55. On refusal to transfer the shares, the transferee can appeal within 2 months from the date of receipt of refusal to-

- Ans.**
- (A) SEBI
 - (B) Company Law Board
 - (C) Board of Directors
 - (D) Registrar of Companies

Q. 56. Who formulated the scheme of stock invest ?

- Ans.**
- (A) SEBI
 - (B) State Bank of India
 - (C) SEBI & SBI
 - (D) None of the above

Q. 57. When does the account of investor is debited under this scheme ?

- Ans.**
- (A) on application
 - (B) On submission of application to the Bank
 - (C) On allotment of securities.
 - (D) On Delivery of securities.

Q. 58. The instrument is used by

- Ans.**
- (A) Scheduled Banks only
 - (B) Nationalised & private banks
 - (C) Public sector banks
 - (D) None of the above

Q. 59. To use stock invest, an investor should-

- Ans.**
- (A) deposit the money in the bank on allotment
 - (B) have a Bank account.
 - (C) deposit the money in fixed deposit.
 - (D) none of the above

Q. 60. The application with stock Invest are send

- Ans.**
- (A) in clearing
 - (B) to SEBI
 - (C) to registrars to the issue

(D) to the Bankers to the issue

Q. 61. At what time the company's account is credited ?

- Ans.** (A) on application
(B) on reaching of application
(C) on scrutiny
(D) on allotment

Q. 62. Stock invest is-

- Ans.** (A) Non-transferable
(B) Non-Negotiable
(C) Account payable
(D) All of the above

Q. 63. Stock invest is valid only for-

- Ans.** (A) 1 month (B) 2 months
(C) 3 months (D) 4 months

Q. 64. What is the maximum amount for which a stock invest can be issued ?

- Ans.** (A) Rs.5000/- (B) Rs.10,000/-
(C) Rs.50,000/- (D) No limit

Q. 65. The payment payable on stock invest is written on-

- Ans.** (A) Front of the stock invest.
(B) Left side of the stock invest.
(C) Right side of the stock invest
(D) Back of the stock invest.

Q. 66. The instructions given by the investor can

- Ans.** (A) never be changed
(B) be altered
(C) be withdrawn
(D) not be withdrawn

Q. 67. The address of the investor is written on stock invest on-

- Ans.** (A) Front (B) Right side
(C) Left side (D) Back of the stock invest

Q. 68. The stock invest-

- Ans.** (A) is an additional facility for investors
(B) allows investors funds to earn interest
(C) increases the liquidity of investors.
(D) All of the above.

Q. 69. Who is most benefited from the Stock Invest-

- Ans.** (A) Investor
(B) Company
(C) Banker
(D) SEBI

Q. 70. The stock invest is valid for a maximum period of-

- Ans.** (A) 1 month (B) 2 months
(C) 3 months (D) 4 months

Q. 71. The account of investor is debited on

- Ans.** (A) filing of application form
(B) Closure of issue
(C) Allotment of shares
(D) None of the above

Q. 72. Stock invest are Issued by-

- Ans.** (A) SEBI
(B) Registrar of companies
(C) Nationalised Banks
(D) Scheduled Banks

Q. 73. The stock invest instrument is-

- Ans.** (A) Non-transferable
(B) Transferable
(C) Negotiable
(D) B & C both

(b) FILL IN THE BLANKS

NOTE :- Complete the following sentences by filling appropriate words/phrases. For correct answers, please see the Answer Sheet.

- (1) An of transfer or transfer deed and executed is required for transfer or ownership and interest in shares.
- (2) is complete between the transferor and the transferee when duly executed, complete and is delivered by the transferor to the transferee.
- (3) A does not pass any title to the transferee.
- (4) All transfer deed executed after 22nd April, 1988, should be in
- (5) The instrument of transfer is a document by which the agrees to accept and hold the shares.
- (6) The transfer agreement becomes a legal binding when the company approve and register the transfer.
- (7) In case of a listed Co., the transfer instrument is to be filed with the Company within a period of from the date of presentation to the
- (8) In case of a Company, which is not listed, the transfer instrument is to be filed with the within a period of from the date of presentation to the prescribed authority.
- (9) The of transfer instrument can be extended by the prescribed authority of the area where are residing or where registered office is situated.
- (10) The fes payable for each transfer deed is if the nominal value of shares is & if the nominal value of shares is above
- (11) Application can be made to registrar of companies either of the state in which the or of the state in which of the company is situated.

- (12) The should be accompanied by prescribed.....
- (13) Registration of a is a precondition to the becoming a member of a company.
- (14) If a company refuses to register the transfer, it shall within from the date on which the instrument was lodged, send with reasons to the transferee and the transferor.
- (15) Share certificates shall be delivered to the within from the date of application for transfer of shares.
- (16) Registration of transfer implies making entries inand
- (17) The process of transfer shall be complete upon delivery of certificate dulyon thein favour of the transferee.
- (18) Shares can be transferred to persons i.e., including body of individuals and
- (19) Shares cannot be registered in the name ofun-incorporated trust or
- (20) Forshares can be registered in the name of the
- (21) Registration of transfer of shares cannot be refused
- (22) If the company refuses to register transfers, an appeal to the can be made within from the date of receipt of such notice.
- (23) Every share certificate shall be issued under the of the company.
- (24) A person whose shares are cease to be a member but shall continue to be to pay to the company all money which, at the date of forfeiture, were payable by him to the company in respect of
- (25) A forfeited share can be on such terms and in manner as the Board or Directors may decide.
- (26) Lien on shares constitute an upon the shares for the debts due from the shareholders to the

- (27) Company may after giving not less thanprevious notice by advertisement in a newspaper, close the
- (28) Transmission takes place through legal process and is not a
- (29) SEBI with the help of formulated a scheme of stock invest.
- (30) The investor's account is get debited only when a share has been..... to him by a company.
- (31) This instrument is used only by..... and Banks in the country.
- (32) An investor who is interested to use this scheme must have a
- (33) The applications with stock invest are not send in..... but send directly to..... to the issue.
- (34) The company's account is credited only at the time of
- (35) On allotment, the Company/Registrar to issue fills up the of stock Invest indicating the entitlement of the investor.
- (36) On being unsuccessful, the registrar prepares a applicants and send the same alongwith cancelled stock.
- (37) Stock Invest is a, non-negotiable, prenumbered and account payable instrument.
- (38) Stock Invest is payable to the account of payee &.....
- (39) Stock Invest is valid for.....
- (40) Stock Invest bears clearing codes,
- (41) Stock Invest is infact a signed statement by the
- (42) The banks may or..... levy service charge for issuing the stock invest.
- (43) The payment is written on the left side of stock invest.
- (44) The..... writes the amount receivable on right side of stock invest.
- (45) The amount written on right side can never. The amount written on left side.

- (46) The instructions given by an investor cannot be subsequently.
- (47) The address of the should be written on the reverse side of the stock invest.
- (48) Stock Invest solves the problem of delay in of excess application money.
- (49) Stock Invest increases the of investors by reducing the lock in period.
- (50) Stock Invest..... the risk of loss of & fraud.
- (51) Stock Invest attracts additional for banks through its service charges.
- (52) Stock Invest reduces the&

(c) TRUE & FALSE QUESTIONS

NOTE :- Some of the following statements are True and some of them are False. Please find, which are True and which are False. For correct answers, please see the Answer Sheet.

- (1) A company shall not register a transfer unless a transfer deed and a certificate is delivered to the company.
- (2) An agreement to transfer share is sufficient for a transfer.
- (3) A forged transfer may pass a title to the transferee.
- (4) The central Government on an application made to it, extend the period prescribed for transfer, by such further time as the Government may deem fit.
- (5) Applications for transfer should be made in Form No.7C
- (6) Applications can be made only to registrar of companies of the state in which the transferee is residing.
- (7) The application should be accompanied by prescribed fee.
- (8) Approval and registration of a transfer are pre-requisites for acquiring membership of a company without which transfer shall be said to be incomplete.

- (9) If the instrument is not in order, defective, incomplete, understamped it should be returned to the transferee.
- (10) If a company refuses to register the transfer, it shall within 15 days from the date on which the instrument was lodged, send notice of refusal with reasons to the transferee and the transferor.
- (11) Share certificates shall be delivered to the transferee within 2 months from the date of application for transfer of shares.
- (12) Registration of transfer implies making entries in registers of transfers and register of members.
- (13) The instruments of debenture transfer should be dated by the prescribed authority.
- (14) The particulars of transfers of debentures should be recorded in a separate register.
- (15) The Act does not prescribe any size of a share certificate.
- (16) A forfeited share cannot be sold/disposed off.
- (17) Lien on shares constitute an equitable charge upon the shares for the debts due from the shareholders to the company.
- (18) SEBI alone formulated the scheme of stock invest
- (19) In this scheme, investor's account is debited on the day when he submits his application.
- (20) This instrument is used by nationalised & private banks in the country.
- (21) An investor needn't have a bank account.
- (22) The applications with stock invest are not send in clearing but send directly to Registrars to the issue.
- (23) On being unsuccessful, the registrar prepares a list of un- successful applicants and send the same alongwith cancelled stock.
- (24) Stock Invest is a transferable instrument.
- (25) Stock Invest is valid for 4 months.
- (26) Stock Invest can be issued for any amount.
- (27) The payment payable is written on the right side of stock invest.

- (28) The amount written on right side can never exceed the amount written on left side.
- (29) The instructions given by an investor cannot be withdrawn.
- (30) The address of the investor should be written on front of the stock invest.
- (31) Stock Invest increases the liquidity of investors.
- (32) Stock Invest results in short term deposits.
- (33) It increases the problem of queing up in banks.

(d) ONE SENTENCE ANSWERS

NOTE:- Answer the following questions in one sentence.

Q. 1. What is required for a transfer ?

Ans. An instrument of transfer or transfer deed duly stamped and executed is required for transfer of ownership and interest in shares.

Q. 2. When a trransfer is said to be complete ?

Ans. Transfer of share is complete between the transferor and the transferee when duly executed, complete and stamped deed is delivered by the transferer to the transferee.

Q. 3. Does a forged transfer passes any to title to the transferee ?

Ans. No, A forged transfer does not pass any title to the transferee even in he had acted innocrtly.

Q. 4. What Is an instrument of transfer ?

Ans. The instrument of transfer is a document by which the transferee agrees to accept and hold the shares.

Q. 5. What Is the validity period of transfer of instrument in case of a listed co.?

Ans. In case of a listed Co., the transfer instrument is to be filed with the company, within a period of 12 months from the date of presentation to the prescribed authority or before the first closure of register of members by the company after such presentation.

Q. 6. Can the validity period be extended ?

Ans. The validity period of transfer instrument can be extended by the prescribed authority of the area where transferees are residing or where companies registered office is situated.

Q. 7. How much fee is payable for each transfer deed on revalidation ?

Ans. The fee payable for each transfer deed on revalidation is Rs.50/- if nominal value of shares is upto Rs.5000/- and Rs.100/- if nominal value of shares is above Rs.5000/-

Q. 8. What happens if a company refuses to transfer ?

Ans. If a company refuses to register the transfer it shall within 2 months from the date on which the instrument was lodged, send notice of refusal with reasons to the transferee and the transferor.

Q. 9. How & in what manner a share certificate is issued?

Ans. Every company having a share capital and which has issued share shall issue share certificate of the shares issued, under the common seal of the company specifying number of shares held.

Q. 10. What is the effect of forfeiture of shares ?

Ans. A person whose shares are forfeited cease to be a member but shall continue to be liable to pay to the company all moneys which, at the date of forfeiture, were payable by him to the company.

Q. 11. Define a lien on shares.

- Ans.** A lien on shares constitute an equitable charge upon the shares for the debts due from the shareholders to the company.
- Q. 12.** When can a company close his register ?
- Ans.** A company after giving not less than 7 days notice by an advertisement in a newspaper circulating in a district in which the registered office of the company is situated close the register of members of debenture holders for any period not exceeding in the aggregate 45 days in each year and not exceeding 30 days at any one time.
- Q. 13.** What is a Transmission ?
- Ans.** Transmission implies transfer of ownership, title and interest in shares or debentures or other securities by death of the the holder to his legal heirs.
- Q. 14.** Which documents are required for effecting transmission ?
- Ans.** A death certificate, succession certificate and specimen signatures of successors are required for effecting transmission.
- Q. 15.** Who formulated the stock invest ?
- Ans.** SEBI with the help of state Bank of India formulated the scheme of stock invest.
- Q. 16.** When does the investor's account is debited ?
- Ans.** In stock invest scheme, the investor's account is debited only when a share has been allotted to him by a company.
- Q. 17.** Which banks uses the stock Invest ?
- Ans.** Stock invest is used only by nationalised & private banks in the country.

Q. 18. Define the procedure for application with stock invest.

Ans. Any investor applying for issue will fill the usual application form and annex the stock invest duly filled with company's name, number of shares or debentures applied and amount.

Q. 19. Define the main features of Stock-Invest

Ans. Stock invest is a non-transferable, non-negotiable, prenumbered and account payable instrument.

Q. 20. What is the validity period of a stock invest ?


Ans. Stock invest is valid for 4 months.

Q. 21. Can the investor withdraw his instructions ?

Ans. No, the instructions given by an investor can not be withdrawn subsequently.

CURRENT ECONOMIC EVENTS

Editorial Note - The events changes time to time so it is not possible to say any event as current because the event which is current may not be current at the time of examination. So we have not provided any questionnaire on it. Please go through the financial & economic magazines, newspapers & other articles to get the current events.



STOCK EXCHANGE TERMINOLOGY**(a) MULTIPLE CHOICE QUESTIONS**

NOTE :- Out of the four options given under every questions, only one is correct. Please find which one is correct. For correct answers, please see the Answer Sheet.

Q. 1. What is the period of Accounting year ?

- Ans.** (A) 1st Jan. to 31st December
(B) 1st April to 31st March
(C) Diwali to Diwali
(D) 1st September to 31st August

Q. 2. Active shares means, shares

- Ans.** (A) Which are of high value
(B) Which are listed in stock exchange
(C) Which are traded frequently in the Capital Market
(D) None of the above

Q. 3. When does the allotment of shares is done ?

- Ans.** (A) Just after receiving applications
(B) After closure of subscription
(C) After receiving application money
(D) Differ Co. to Co.

Q. 4. Annual Report means

- Ans.** (A) Yearly Report of Co's Accounts to SEBI
(B) Yearly Report of Co's Accounts to RBI
(C) Report at the end of each accounting year to its shareholders
(D) None of the above.

Q. 5. What Is an application money ?

- Ans.** (A) Amount called alongwith the application for securities
(B) 1st call money
(C) IInd call money
(D) A fee deposited by a shareholder along with his application for transfer of shares.

Q. 6. Issue at a premium means

- Ans.** (A) Shares on a market price
(B) Shares at par
(C) Shares on a price less than its face value
(D) Shares on a price higher than its face value

Q. 7. At par means

- Ans.** (A) Share issued on a less price
(B) Share issued equivalent to its face value
(C) Shares issued equivalent to its market price
(D) None of the above

Q. 8. What is an authorised share capital ?

- Ans.** (A) The share capital already issued to its Directors
(B) The share capital already issued to its shareholders.
(C) The maximum number of shares that a co. may issue
(D) The total capital of a co.

Q. 9. Allotment letter means-

- Ans.** (A) Letter of offer
(B) Letter of confirmation of allotment
(C) Letter of information
(D) Letter of call money

Q. 10. Arbitrage means-

- Ans.** (A) Earning through the fluctuations in prices of shares
(B) Earning through the selling of allotted shares
(C) Earning through brokerage
(D) Earning the profit by buying & selling in different exchanges in different prices through reversing the transactions.

Q. 11. Balance Sheet means-

- Ans.** (A) a statement of balance of profit or loss of the Co.
(B) a statement of balance of shareholders
(C) a statement showing the actual financial position of a company
(D) a statement of tax to be paid by the co.

Q. 12. Bear means

- Ans.** (A) A Broker
(B) An Investor
(C) A Merchant Banker
(D) A share market operator who expects share prices to fall & keep selling

Q. 13. Bearer Bond means

- Ans.** (A) A Bond in a name of a person
(B) A Bond without any name
(C) A Bond in joint name
(D) A Bond for share Broker

Q. 14. Define Below par

- Ans.** (A) A issue above face value of share
(B) A issue of share equal to its face value
(C) A issue of share below its face value
(D) None of the above

Q. 15. Any defect in delivery is called-

- Ans.** (A) defective delivery
(B) improper delivery
(C) Bad delivery
(D) Inadequate delivery

Q. 16. Bid means

- Ans.** (A) An offer to sell
(B) An offer to buy
(C) A price one is willing to pay for a security
(D) None of the above

Q. 17. Define Blue Chip

- Ans.** (A) A share certificate in Blue colour

- (B) An application from in Blue colour
- (C) The best share of the stock market
- (D) The low priced share

Q. 18. A certificate issued for a long term debt is called a-

- Ans.** (A) Share (B) Debenture
(C) Equity (D) Bond

Q. 19. What is a Bonus share ?

- Ans.** (A) A share issued in discount
(B) A share issued on premium
(C) A share issued free of cost
(D) A share issued at par

Q. 20. Brokerage means

- Ans.** (A) Commission payable to a merchant Banker
(B) Commission payable to a Stock broker
(C) Incentive offered by a broker to an investor
(D) Fees payable by a broker to stock exchange

Q. 21. Bear raid-means

- Ans.** (A) A raid by income tax authorities on brokers
(B) Overpowering of Bulls on Bears
(C) continuous selling by bears to bring the prices down
(D) Formation of a law to control Bears.

Q. 22. When the name of a transferee is not written in the transfer deed, the transfer is called a-

- Ans.** (A) Free Transfer
(B) Blank Transfer
(C) Unchecked transfer
(D) Optional transfer

Q. 23. Define Book value

- Ans.** (A) A market value of an asset
(B) A value of an asset at the time of formation of a Co.
(C) A value of an asset shown in the Balance Sheet
(D) A value of an asset only in the accounts of a bank

Q. 24. What is a Boom ?

- Ans.** (A) A period of inflation
(B) A period of deflation
(C) The best of a favourable trade cycle
(D) The worst of a trade cycle

Q. 25. Who can be a Broker ?

- Ans.** (A) Any body
(B) A person registered with the association of brokers
(C) A member of any of the stock exchange
(D) A member of a recognised stock exchange

Q. 26. Who is a Bull ?

- Ans.** (A) A superior authority of SEBI
(B) The supreme power of RBI
(C) One who always believes in lower prices of shares
(D) One who always believes in higher trend of prices

Q. 27. Define call money

- Ans.** (A) A demand by a company to pay interest on due amount
(B) A request by a Co. to its shareholders to pay the instalment due.
(C) A legal notice to its debtor
(D) None of the above

Q. 28. What is a capital appreciation ?

- Ans.** (A) The increase in the Co's reputation
(B) The increase in the Co's profits
(C) The increase in the capital value of securities due to their increase in prices
(D) The increase in the share price of a Co.

Q. 29. Define Capital Gain

- Ans.** (A) A profit earned by a Co. in a financial year
(B) A profit earned through new projects
(C) A profit acquired through the sale of an ~~asset~~
(D) gross profit of a Co.

Q. 30. What is a contract note-

- Ans.** (A) An agreement between a broker and a stock - exchange
(B) An agreement between a seller and a stock broker
(C) An agreement between the purchaser and a stock broker
(D) Both B & C above

Q. 31. Define convertible securities

- Ans.** (A) A share which can be converted into a Debenture
(B) A Debenture which can be converted into a Bond
(C) A Bond which can be converted into a share
(D) A security which can be converted into other type of securities.

Q. 32. What is a preference share ?

- Ans.** (A) A share allotted to Directors of the Co.
(B) A share allotted to well-wishers of the Co.
(C) A share allotted to employees of the Co.
(D) A share on which dividend accumulates if not paid

Q. 33. Current Assets means-

- Ans.** (A) Present Assets of a Co.
(B) Assets recently bought by a Co.
(C) Assets which can be sold within a year
(D) Assets which can never be sold

Q. 34. The current liabilities are liabilities which are payable within-

- Ans.** (A) 6 months (B) 12 months
(C) 18 months (D) 24 months

Q. 35. An ability of a company to meet its obligations is expressed as

- Ans.** (A) Present status
(B) Current profits
(C) Credit Rating
(D) Type of Co.

Q. 36. Current Ratio means-

- Ans.** (A) Ratio of profit to loss
(B) Ratio of credit to debit
(C) Ratio of incoming to outgoing
(D) Ratio of current Assets to current liabilities

Q. 37. Dividend is paid out of-

- Ans.** (A) Capital Reserves
(B) Free Reserves
(C) Interest earned
(D) Profits after tax

Q. 38. When a buyer of a share is not entitled to the forthcoming dividend his buying is called-

- Ans.** (A) ex-dividend
(B) without dividend
(C) less dividend
(D) None of the above

Q. 39. Shares bought without the right to subscribe to the additional shares are called-

- Ans.** (A) Rightless shares
(B) Blank shares
(C) Ex-right shares
(D) powerless shares

Q. 40. Equity capital is collected as-

- Ans.** (A) short term funds
(B) middle term funds
(C) long term funds
(D) forever funds

Q. 41. A ratio calculated by dividing the net profit after tax by the number of equity shares of Co. is termed as-

- Ans.** (A) EPS (B) NEP
(C) PES (D) SPN

Q. 42. Firm order means-

- Ans.** (A) An order with a certain price
(B) An order with c.
(C) An order with .

(D) An order which does not need clients approval

Q. 43. Contracts to buy & sell at stated price and at stated time in future is called-

- Ans. (A) Future Trading
(B) Trading in Advance
(C) Forward Trading
(D) Advance Trading

Q. 44. Accumulated retained profits of a company available for distribution among shareholders is called-

- Ans. (A) Capital Reserve
(B) Free Reserve
(C) Special Reserve
(D) Accumulated Reserve

Q. 45. A share certificate attached with a transfer deed which meet all the requirements of a transfer is termed as

- Ans. (A) Timely Delivery
(B) Right Delivery
(C) Good Delivery
(D) Correct Delivery

Q. 46. Hammering means-

- Ans. (A) Putting of Hammer by a broker on his table in exchange
(B) Calling again & again for a share in exchange
(C) Continuous buying of a share to bring price up
(D) Continuous selling of a share to bring the price down

Q. 47. Insider trading is-

- Ans. (A) A Trading inside the exchange
(B) A legal Trading
(C) An illegal Trading
(D) A Trading in between the members of stock exchange

Q. 48. An advance instalment of the dividend finally declared is called an-

- Ans. (A) Advance Dividend
(B) Interim Dividend
(C) Final Dividend
(D) Temporary Dividend

Q. 49. An unofficial trading after normal hours of trading is called-

- Ans. (A) an official trading
(B) outside trading
(C) illegal trading
(D) kerb trading

Q. 50. Listing means-

- Ans. (A) Preparing a list of shareholders
(B) Making a list of Debentureholders
(C) Admitting a security in any recognised stock exchange for trading
(D) Despatching of share certificates

Q. 51. A letter from a Co. to its shareholders offering them the rights to subscribe to a specified number of shares is called

- Ans. (A) Letter of intimation
(B) Letter of Rights
(C) Letter of privilege
(D) Letter of approval

Q. 52. The minimum amount which a company should acquire through its share issue is termed as-

- Ans. (A) Minimum capital
(B) Minimum equity
(C) Minimum subscription
(D) Minimum offer

Q. 53. What is a money market security?

- Ans. (A) A security which is traded as a money
(B) A short term promissory note
(C) A high grade promissory note
(D) A low grade promissory note

Q. 54. A issue which runs in several hundred crores of rupees is called a

- Ans.** (A) Mega issue
(B) Big issue
(C) Good issue
(D) Wide issue

Q. 55. Merchant Banker acts as a

- Ans.** (A) Collecting Banker for the Co.
(B) Cash Department of the Co.
(C) Manager to a issue
(D) Broker for a Co.

Q. 56. A place for short term borrowing instrument is called a

- Ans.** (A) Capital Market
(B) Security Market
(C) Money Market
(D) None of the above

Q. 57. Funds raised by Investment companies & banks for investments in large variety of securities are termed-

- Ans.** (A) Capital Fund
(B) Money Fund
(C) Mutual Fund
(D) Credit Fund

Q. 58. Define Net worth

- Ans.** (A) The total Assets of a Co.
(B) The total cash deposits with the Co.
(C) The total liquid capital of a Co.
(D) The value of total assets minus total liabilities

Q. 59. New Issue means-

- Ans.** (A) A issue by a Co. already listed
(B) A issue by a new Co.
(C) A New issue whether right or bonus by a Co.
(D) All of the above

Q. 60. What do you mean by odd lot ?

- Ans.** (A) A lot of odd no. of shares
(B) Any number of shares less than the market lot
(C) Any number of shares greater than the market lot
(D) None of the above

Q. 61. When the application received for shares are greater than the issued shares, it is called-

- Ans.** (A) fully subscribed
(B) undersubscribed
(C) oversubscribed
(D) None of the above

Q. 62. PE Ratio means

- Ans.** (A) A ratio arrived at by dividing the price of a share by the earnings per share
(B) A ratio arrived at by dividing the profit of a Co. by the total no. of shares
(C) A ratio of profit with loss
(D) A ratio of Assets & liabilities

Q. 63. Securities which are not included in the official list of a stock exchange but included in the list of other stock exchange is called-

- Ans.** (A) Permitted securities
(B) Granted securities
(C) Allowed securities
(D) Fixed securities

Q. 64. Proxy means

- Ans.** (A) Attendance by post
(B) Attendance by telephone
(C) Presence of other authorised person
(D) None of the above

Q. 65. A date fixed by a Co. for the distribution of dividend and bonus or right issues is called-

- Ans.** (A) Record Date
(B) Issue Date
(C) Book Date
(D) Distribution Date

Q. 66. Redemption Means-

- Ans.** (A) Buying shares back by a Co. on premium
(B) Buying back a loan instrument by paying after the amount taken on loan
(C) Buying back the shares on discounted rate
(D) Payment of interest to existing shareholders

Q. 67. Reserves means keeping a fund from the companies earnings for the-

- Ans.** (A) expansion
(B) Modernization
(C) Payment of future dividends & bonds
(D) All of the above

Q. 68. Delivery of shares & payment on the date of purchase of next day is termed-

- Ans.** (A) Current Delivery
(B) Hand to hand delivery
(C) Spot delivery
(D) Present delivery

Q. 69. Firms which maintain the records of shareholders of their client companies are called-

- Ans.** (A) Merchant Bankers
(B) Transfer Agents
(C) Underwriters
(D) Portfolio managers

Q. 70. Unloading is-

- Ans.** (A) Unload the share certificates from the transport wagon
(B) Unload the shares at the companies godown
(C) selling shares offer when prices are falling to avoid further loss
(D) None of the above

(b) FILL IN THE BLANKS

NOTE :- Complete the following sentences by filling appropriate words/phrases. For correct answers, please see the Answer Sheet.

- (1) The Accounting year of all public limited companies will be 1st April to 31st March with effect from.....
- (2) Shares which are traded frequently in the..... are called active shares.
- (3) Distribution of shares is called the of shares.
- (4) Report made at the end of each year to its shareholders is called the money.
- (5) The amount called alongwith the application for shares is called
- (6) Shares issued on a price higher than itsis called shares at a.....
- (7) Shares issued on a price to its face value is called shares at par.
- (8) letter of confirmation of..... of shares is called allotment letter.
- (9) Statement showing the actualposition of a company is Balance Sheet.
- (10) Any defect in the delivery of stocks is called the.....
- (11) A drawing showing the daily price ranges is called
- (12) A price one is willing to pay for a security in is a bid.
- (13) The shares of the stock market are the blue chips.
- (14) A certificate issued for a long term is called a Bond.
- (15) Commission payable to a stock Broker for arranging the..... is the Brokerage.
- (16) The interest payable for the period of carry over of purchase/sale positions from one settlement to the other is

- (17) When a seller of a share falls to deliver shares to theon the, the buyer can enforce delivery by..... the shares against the seller from the market.
- (18) When the name of the transferee is not fitted in..... it is called a blank transfer.
- (19) When a company declares a dividend or issues bonus or right shares, it closes its register of members for a then these days are called..... days.
- (20) the best of a favourable trade cycle
- (21) is a member of a recognised stock exchange who deals in
- (22) A stock market operator who always believes in higher trend of and keeps continuous.....is called a Bull.
- (23) Call money is a request by ato itsto pay the instalment due.
- (24) The increase in the capital value of securities due to their increase in prices is the
- (25) The issue of by a company is the capital issue of that company.
- (26) Conversion of free reserves of a limited company into capital by issuing bonus shares is termed as
- (27) A note issued by a broker to his client stating the no. of shares..... on rate & type of contract, is a contract note.
- (28) The securities which can be converted into other type of securities are called
- (29) Preference share is a preference share on which dividend accumulates if not paid.
- (30) Assets which can be sold within a year are..... assests.
- (31) Liabilities which are payable within are current liabilities.
- (32) A market from where savings are arranged for industrial development is the
- (33) A share which yields a high rate of dividend is a

- (34) Dividend is a payment made to shareholders usually once or twice a year out of a companies profits.....
- (35) When a buyer of a share is not entitled to the forthcoming dividend his buying is called
- (36) Shares bought without the right to..... to the additional shares are called ex-right.
- (37) Long term funds collected from the..... are called equity capital.
- (38) The ratio calculated by dividing the..... after tax by the number of of a Co. is the EPS.
- (39) Any general meeting other than the Annual General meeting called to obtain consent to urgent is called Extraordinary general meeting
- (40) The amount of money tied up in cheques that have been drawn but have not been collected is the.....
- (41) Shares bought for for quick profits are said.....
- (42) Contracts to buy & sell at and at..... in future is a forward trading.
- (43) are the accumulated retained profits of a company available for distribution among.....
- (44) is a continuous selling of shares by operators to bring the prices down.
- (45) is the rate fixed by the stock exchange for the purpose of working out the between member brokers at the end of the settlement period in respect of unfulfilled contracts in specified which are to be carried over to the subsequent period.
- (46) is adjusting investment risk by ones funds in the share market.
- (47) Holding company is a company which holds sufficient.....in another company to influence its
- (48) Index is a measurement of the of share prices
- (49) Insider Trading is an..... in which person having confidential information take the advantage of such information to make a on the stock exchange.

- (50) An advance instalment of the dividend finally declared is an.....
- (51) Trading which is done after..... of trading, unofficially is called kerb trading.
- (52) Admitting a security in any..... for trading is called listing.
- (53) A legal claim on the property of is the lien.
- (54) A person who finds himself..... of meeting his commitments on due date is called a lame duck.
- (55) Letter of Rights is a letter from a to its offering them the rights to subscribe to a specified number of shares.
- (56) The minimum amount which a company should acquire through its share issue is the...
- (57) Securities which are high grade promissory notes that mature in less than are money market securities
- (58) is a big issue which runs in several hundred crores of rupees.
- (59) A..... which acts as managers to a issue is a merchant bank.
- (60) Funds raised by..... &... for investments in a large variety of securities is a mutual fund.
- (61) The value of total assets minus total liabilities is called the net worth of that Co.
- (62) The first public sale of by a company is termed as new issue.
- (63) Any number of shares less than the is called an odd lot.
- (64) The quotations of rates published by the stock exchange..... at the closing of is called an official list.
- (65) When the application received for shares are..... than the it is called the.... oversubscribed issue.
- (66) Capital acquired by selling shares to is the paid up capital

- (67) A sale of to a large investor is the private marchant.
- (68) A ratio drived at by..... the price of a share by the per share is called PE Ratio.
- (69) is a market for new issues of securities.
- (70) Securities which are not included in the..... of a stock exchange but included in the list of the stock exchange are called.....
- (71) Selling shares above thing purchase price is the profit booking of a share.
- (72) is an statement of public offer to sell share with complete information about the company offering the share to public.
- (73) A.... means the presence of a person other than the actual shareholders in the of the co. as authorised by actual shareholder to represent him in the meeting
- (74) & for a share is the quote.
- (75) A date fixed by a Co. for the distribution of..... and of is the Record date.....
- (76) A date fixed by a co. for the..... and bonu or right issues is the.....
- (77) is a buying back a loan instrument by paying off the amount taken on loan.
- (78) Reserve is a fund from the companies earning for the.....
- (79) is an..... for the delivery & payment of the transections entered into.
- (80) Spread is the difference between the.....and theof a share in the stock exchange.

(c) TRUE & FALSE QUESTIONS

NOTE:- Some of the following statements are True and some of them are False. Please find, which are True and which are False. For correct answers, please see the Answer Sheet.

- (1) Accounting year starts from 1st January & ends on 31st December.
- (2) Shares which are traded frequently in the capital market are active shares.
- (3) Report made at the end of each accounting year by the directors to SEBI is an annual report.
- (4) The amount called alongwith the application for shares is called application money.
- (5) Maximum number of shares that a company may issue is called the authorized share capital.
- (6) Letter of offer is called allotment letter.
- (7) Earning the profit by buying & selling in different exchanges in different prices through reversing the transaction is an arbitrage.
- (8) A bond which is in a person's name is called a bearer bond.
- (9) The price which a stock broker thinks to be the most profitable for his client is called the best price.
- (10) Bad delivery means delivery after office hours.
- (11) A certificate issued for a short term debt is called a bond.
- (12) Shares issued by a company to their shareholders free of cost by capitalisation of accumulated reserves.
- (13) When bears sell continuously to bring the prices down, it is called the bear raid .
- (14) When the name of the transferor is not written on a transfer deed, it is called a blank transfer.
- (15) Boom is the worst of a trade cycle.
- (16) Broker means any person who deals in securities.

- (17) A stock market operator who always believes in higher trend of prices & keeps continuous buying is termed as a bull.
- (18) A request by a company to its shareholders to pay the instalment due.
- (19) The increase in the capital value of securities due to their increase in prices is called capital appreciation.
- (20) Profit acquired through the sale of an asset, which have appreciated in value is called capital gain.
- (21) The issue of shares by a company is called a money issue.
- (22) Conversion of free reserves of a limited company into capital by issuing bonus shares is the capitalistaion.
- (23) Capital reserves are kept only for a certain period of time by the co.
- (24) A contract entered into between the beyer & seller is called a contract note.
- (25) The securities which can be immediately converted into cash is termed as convertible securities.
- (26) A statement showing the inflow and outflow of cash is called cash flow statement .
- (27) Credit Rating is the measurement of the ability of a company to meet its obligations.
- (28) Payment made to shareholders out of company's reserves are called dividend.
- (29) When a buyer of a share's not entitled to the forthcoming dividend his buying is called ex-dividend .
- (30) Shares bought without the right to subscribe to the additional shares are called ex-right.
- (31) Short term funds collected from the owners is the equity capital.
- (32) An order which can be executed by a broker without the clients confirmation is a called a firm order.
- (33) Float is the amount of money tied up in cheques that have been drawn but have not been collected.
- (34) Contracts to buy & sell at any time in future is called a forward trading.

- (35) Free Reserves are the accumulated retained profits of a company available for distribution among shareholders.
- (36) Continuous buying of shares by operators to bring prices up is called Hammering.
- (37) Hedging is adjusting investment risk by one's funds in the share market.
- (38) A company which holds sufficient voting shares in another company to influence its policy decisions.
- (39) A person who enters a share market for transactions is called an insider.
- (40) A person who works as a stock broker in any exchange, his trading is termed as insider trading.
- (41) An advance instalment of the dividend finally declared is termed Interim Dividend.
- (42) Trading which is done after normal hours of trading officially is called kerb Trading.
- (43) Admitting securities in any recognised stock exchange for trading is called listing.
- (44) Liquidity means ability to met obligation when they become due.
- (45) A person who finds himself incapable of meeting his commitments on due date is called a Lame duck.
- (46) A letter from shareholders to a company for their offer to take the shares of that co. is called a letter of right.
- (47) A fee payable by a shareholder to get his share transferred is called a listing fee.
- (48) An order limited by price, given to a broker by his client is called a limit order.
- (49) The minimum rate which a company should charge for a share from its investors is called a minimum subscription.
- (50) Securities which are low grade promissory notes are called money market securities.
- (51) A Bank which acts as a manager to a issue for a Co. is called a Merchant Bank.

- (52) Funds raised by investment companies & banks for investments in large variety of securities are the mutual funds.
- (53) The value of net income minus net expenses is the net worth.
- (54) Any number of shares less than the market lot is called an odd lot.
- (55) Paid up capital is the capital acquired by selling only debentures to investores
- (56) Person who manages other institutions investment portfolios with the objective of profitability growth & risk minimization' is called a portfolio manager.
- (57) A price greater than the face value of a share is the premium.
- (58) Issuing securities on price higher than its market value is called free pricing of the issue.
- (59) Selling shares above their purchase price is called profit Booking.
- (60) An statement of the balance sheet of a company.
- (61) A date fixed by a co. for the distribution of dividend and bonus or right issue is the record date.
- (62) A shareholder whose name appears in the register of a co. is called the registered owner.
- (63) The ledger No. of a shareholder is the registered folio number.
- (64) A place for trading of only B grade shares is a security market.
- (65) Settlement Date is the agreed date for the delivery & payment of the transactions entered into.
- (66) Stag is a speculator in new issue of shares
- (67) The act of buying securities to cover the borrowings made by a short seller is termed short covering.
- (68) Take over means taking the delivery of a share
- (69) Firms which maintain the records of shareholders of their clients companies are transfer agents
- (70) change of an asset to expenses or loss is the write off.

(d) ONE SENTENCE ANSWERS

NOTE :- Answer the following questions in one sentence.

Q. 1. From which year the accounting year was made from 1st April to 31st March ?

Ans. From 1989-90, the accounting year was made from 1st April to 31st March.

Q. 2. Which are active shares ?

Ans. Shares which are traded frequently in the capital market are called active shares.

Q. 3. What is an Annual Report ?

Ans. Report made at the end of each accounting year by the Directors of company to its shareholders is called the Annual Report.

Q. 4. When does the application money is called ?

Ans. The amount called alongwith the applications for shares is called application money.

Q. 5. What is called If the shares are Issued on a price higher then, its face value.

Ans. Shares issued on a price higher than its face value is called shares at a premium.

Q. 6. What is an arbitrage ?

Ans. Earning the profit by buying & selling in different exchanges in different prices through reversing the transaction is an arbitrage.

Q. 7. Define a Balance sheet.

Ans. A statement showing the actual financial position of a company is called a Balance sheet of that Co.

Q. 8. Who can said to be a Bear in the stock market ?

Ans. A share market operator who expects share prices to fall & because of this keep selling continuously.

Q. 9. What is a Bad Delivery ?

Ans. Any defect in the delivery of stocks is called the Bad delivery of shares.

Q. 10. What is a Bond ?

Ans. A certificate issued for a long term debt is called a bond.

Q. 11. Define a Bonus share.

Ans. Shares issued by a company to their shareholders free of cost by capitalisation of accumulated reserves are called Bonus shares

Q. 12. What is said to be a brokerage ?

Ans. Commission payable to a stock broker for arranging the stock market operations is called the brokerage.

Q. 13. Define Budla charges.

Ans. The interest payable for the period of carry over of purchase/sale positions from one settlement to the other is called Budla charge's.

Q. 14. What are Book closure days?

Ans. When a company declares a dividend or issues bonus or right shares, it closes its register of members for a certain period, then these days are called book closure days.

Q. 15. Who is a share broker ?

Ans. A member of a recognised stock exchange who deals in securities is called a share broker.

Q. 16. Who is a Bull ?

Ans. A stock market operator who always believes in higher trend of prices & keeps continuous buying is called a bull in the stock market.

Q. 17. What is a capital appreciation ?

Ans. The increase in the capital value of securities due to their increase in prices is said to be a capital appreciation.

Q. 18. Profits acquired through the sale of an asset, which have appreciated in value, is termed as-

Ans. The capital gain.

Q. 19. Capitalisation is done through the-

Ans. Conversion of free reserves of a limited co. into capital by issuing bonus shares.

Q. 20. What is a credit rating ?

Ans. Credit rating is a measurement of the ability of a company to meet its obligation.

Q. 21. What is a dividend ?

Ans. Payment made to shareholders usually once or twice a year out of a company's profits after tax is called the dividend.

Q. 22. Define ex-dividend

Ans. When a buyer of a share is not entitled to the forthcoming dividend his buying is called ex-dividend.

Q. 23. Which shares are called ex-right shares ?

Ans. Shares bought without the right to subscribe to the additional shares are called ex-right.

Q. 24. What is an EPS

Ans. EPS (Earning per share) is a ratio calculated by dividing the net profit after tax by the number of equity shares of a Co.

Q. 25. What is the difference between extraordinary general meeting & annual general meeting ?

Ans. Any general meeting other than the annual general meeting called to obtain shareholders consent to urgent decisions is an extraordinary general meeting.

Q. 26. What is a float ?

Ans. The amount of money tied up in cheques that have been drawn but have not been collected is called a float.

Q. 27. What is a forward trading

Ans. Forward trading is a contract to buy & sell at stated price and at stated time in future.

Q. 28. What is Hammering ?

Ans. Hammering is a continuous selling of shares by operators to bring the price down.

Q. 29 Define an insider trading.

Ans. An illegal activity in which person having confidential information take the advantage of such information to make a profit on the stock exchange.

Q. 30. What is a kerb trading ?

Ans. A trading which is done after normal hours of trading, unofficially is called kerb trading.

Q. 31. Define a lame duck

Ans. A person who finds himself incapable of meeting his commitments on due date is called a lame duck.

Q. 32. What is a listing agreement ?

Ans. An agreement entered at the time of listing between the Co. and the stock exchange where listing is to be done is called a listing agreement.

Q. 34. What is a mega Issue ?

Ans. A big issue which runs in several hundred crores of rupees is called a mega issue.

Q. 35. Funds raised by investment companies & banks for investments in a large variety of securities are called.

Ans. Mutual funds.

Q. 36. What is an official list ?

Ans. The quotations of rates published by the stock exchange every day at the closing of trading is called an official list.

Q. 37 Define oversubscribed.

Ans. When the application received for shares are greater than the issued shares, it is called the over subscribed issue.

Q. 38. What is a PE Ratio.

Ans. A ratio arrived at by dividing the price of a share by the earnings per shares is called a PE Ratio.

Q. 39. Who Is a Portfolio manager ?

Ans. A person who manages other institutions investment portfolios with the objective of profitability growth & risk minimization.

Q. 40. What is the difference between a preference & equity share ?

Ans. Preference shares have preference over equity shares in all the matters & have a proper claim on the assets of the Co.

ANSWER SHEET

[1] ACTS, RULES & ORDERS

(A) Securities Contracts (Regulation) Act, 1956

(i) MULTIPLE CHOICE QUESTIONS

| | | | |
|--------|--------|--------|--------|
| 1 - A | 2 - A | 3 - B | 4 - C |
| 5 - D | 6 - B | 7 - D | 8 - D |
| 9 - C | 10 - B | 11 - B | 12 - D |
| 13 - B | 14 - B | 15 - B | 16 - D |
| 17 - B | 18 - B | 19 - D | 20 - D |
| 21 - D | 22 - C | 23 - D | 24 - C |
| 25 - C | 26 - C | 27 - D | 28 - D |
| 29 - A | 30 - B | 31 - B | 32 - D |
| 33 - C | 34 - D | 35 - D | 36 - C |
| 37 - D | 38 - D | 39 - D | 40 - D |

(ii) FILL IN THE BLANKS

- 1 - 1956, 42, 1956
- 2 - prevent, securities
- 3 - 20 Feb., 1957
- 4 - extends
- 5 - purchase, sale
- 6 - central, state govts., public loan
- 7 - Stock Exchange
- 8 - Central Government
- 9 - Spot Delivery Contract
- 10 - Stock Exchange, Securities
- 11 - Stock Exchange, recognised, Central Government
- 12 - Gazette of India
- 13 - Publication, Gazette of India
- 14 - Stock Exchange
- 15 - SEBI, periodical returns
- 16 - member, books of accounts, 5 years
- 17 - SEBI, information
- 18 - one, more, governing body
- 19 - Director, Secretary, books of accounts
- 20 - Central Government, Annual Report
- 21 - rules, amend
- 22 - SEBI, bye-laws
- 23 - recognised stock exchange, contract, member

(1)

- 24 - Central Government
- 25 - Securities, Public Company, refusal
- 26 - Central Government
- 27 - Central Government, grants
- 28 - company, in charge of, company, offence
- 29 - Presidency Magistrate, 1st Class
- 30 - Provisions, Special Law
- 31 - legal proceeding, governing body, good faith
- 32 - Central Government, notification, objects

(iii) TRUE & FALSE QUESTIONS

- | | | |
|------------|------------|------------|
| 1 - True | 2 - True | 3 - False |
| 4 - False | 5 - True | 6 - True |
| 7 - True | 8 - False | 9 - True |
| 10 - True | 11 - False | 12 - True |
| 13 - False | 14 - False | 15 - True |
| 16 - False | 17 - True | 18 - True |
| 19 - False | 20 - False | 21 - True |
| 22 - False | 23 - True | 24 - True |
| 25 - False | 26 - True | 27 - True |
| 28 - False | 29 - True | 30 - True |
| 31 - True | 32 - False | 33 - False |
| 34 - True | 35 - False | |

(B) Securities and Exchange Board of India Act, 1992

(I) MULTIPLE CHOICE QUESTIONS

- | | | | |
|--------|--------|--------|--------|
| 1 - D | 2 - C | 3 - C | 4 - A |
| 5 - B | 6 - C | 7 - A | 8 - D |
| 9 - D | 10 - A | 11 - B | 12 - A |
| 13 - B | 14 - C | 15 - A | 16 - D |
| 17 - D | 18 - C | 19 - C | 20 - D |
| 21 - C | 22 - B | 23 - A | 24 - B |
| 25 - D | 26 - B | 27 - D | 28 - D |
| 29 - B | 30 - D | 31 - B | 32 - C |
| 33 - D | 34 - C | 35 - C | 36 - B |
| 37 - D | 38 - B | 39 - C | 40 - C |
| 41 - D | 42 - D | 43 - A | 44 - D |
| 45 - D | 46 - D | 47 - C | 48 - D |
| 49 - D | 50 - D | | |

(II) FILL IN THE BLANKS

- 1 - Board, investors, regulate
- 2 - extends

(ii)

Answer Sheet

- 3 - 30th January, 1992
- 4 - Board
- 5 - Board
- 6 - Bombay
- 7 - 6
- 8 - Metropolitan, Judicial
- 9 - Central Government, SEBI
- 10 - Member
- 11 - Certificate of registration
- 12 - other places
- 13 - terminate
- 14 - places, times, regulations
- 15 - majority votes
- 16 - officers, employees
- 17 - manner, fees, determined
- 18 - suspend, cancel, regulations
- 19 - suspension, reasonable
- 20 - accounts, records
- 21 - annual, accounts
- 22 - accounts, audited
- 23 - decision, policy
- 24 - Central Government, supersede, 6 months
- 25 - members, suspension
- 26 - owned, reconstituted, Central Government
- 27 - Central Government, form, manner
- 28 - Board, Central Government
- 29 - admitted
- 30 - Metropolitan Magistrate, Judicial Magistrate
- 31 - Central Government, Purpose
- 32 - SEBI, Central Government
- 33 - Houses of Parliament
- 34 - Stock Broker, SEBI
- 35 - SEBI, General Fund
- 36 - grants, fees, charges, general fund
- 37 - SEBI
- 38 - audit report, Central Government
- 39 - Public Servants
- 40 - Member, Chairman

(iii) TRUE & FALSE QUESTIONS

- | | | |
|------------|------------|------------|
| 1 - True | 2 - False | 3 - False |
| 4 - False | 5 - True | 6 - True |
| 7 - False | 8 - True | 9 - True |
| 10 - False | 11 - True | 12 - True |
| 13 - True | 14 - False | 15 - False |

| | | |
|------------|------------|------------|
| 16 - True | 17 - True | 18 - False |
| 19 - True | 20 - False | 21 - True |
| 22 - True | 23 - True | 24 - False |
| 25 - False | 26 - True | 27 - True |
| 28 - False | 29 - True | 30 - False |
| 31 - True | 32 - False | 33 - False |
| 34 - False | 35 - True | 36 - False |
| 37 - False | 38 - True | 39 - False |
| 40 - True | | |

(C) SEBI (Stock Brokers and Sub-Brokers) Rules, 1992

(i) MULTIPLE CHOICE QUESTIONS

| | | | |
|--------|--------|--------|--------|
| 1 - C | 2 - C | 3 - D | 4 - C |
| 5 - B | 6 - B | 7 - C | 8 - C |
| 9 - B | 10 - B | 11 - D | 12 - A |
| 13 - C | 14 - A | 15 - C | 16 - D |
| 17 - D | 18 - B | 19 - C | 20 - A |
| 21 - C | 22 - B | 23 - B | 24 - A |
| 25 - B | 26 - C | 27 - D | 28 - D |
| 29 - C | 30 - C | 31 - A | 32 - D |
| 33 - B | 34 - D | 35 - D | 36 - D |
| 37 - D | 38 - C | 39 - B | |

(ii) FILL IN THE BLANKS

- 1 - Stock Brokers, Sub-Brokers, 1992
- 2 - Gazette of India, 20 August, 1992
- 3 - 20th August, 1992
- 4 - Act
- 5 - registration, SEBI
- 6 - Central Government
- 7 - Stock Broker, Sub-Broker, Certificate
- 8 - Membership
- 9 - fees, registration
- 10 - redressal, grievances, one month, receipt
- 11 - 1992
- 12 - 23rd Oct., 1992
- 13 - Enquiry Officer, Securities, SEBI
- 14 - fifty thousand
- 15 - Stock Broker, Form A
- 16 - grant, certificate, stock exchange, stock exchanges
- 17 - forward, Board, 30 days
- 18 - information, clarifications
- 19 - applicant, member, stock exchange
- 20 - adequate office space, man power

(iv)

- 21 - Form D
- 22 - Code of Conduct, Schedule II
- 23 - application, requirements, reasonable
- 24 - refusal, 30 days, stock exchange
- 25 - aggrieved, 30 days, Board
- 26 - applicant, Schedule III
- 27 - Sub-Broker
- 28 - recommendation letter, Stock Broker
- 29 - 30 days, Board
- 30 - Form E
- 31 - 30 days, stock exchange
- 32 - applicant, 30 days, reconsideration
- 33 - fees, Schedule III
- 34 - Sub-Broker, Schedule II
- 35 - Stock Broker, maintain, records
- 36 - place, documents
- 37 - 5 years
- 38 - violates, suspension
- 39 - insider trading regulation, cancellation
- 40 - order, appear, Central Government

(iii) TRUE & FALSE QUESTIONS

- | | | |
|------------|------------|------------|
| 1 - True | 2 - False | 3 - False |
| 4 - True | 5 - True | 6 - False |
| 7 - True | 8 - False | 9 - True |
| 10 - True | 11 - False | 12 - False |
| 13 - True | 14 - False | 15 - True |
| 16 - False | 17 - True | 18 - True |
| 19 - False | 20 - True | 21 - False |
| 22 - True | 23 - True | 24 - False |
| 25 - True | 26 - False | 27 - True |
| 28 - True | 29 - False | 30 - True |
| 31 - True | 32 - False | 33 - True |
| 34 - True | 35 - False | 36 - True |
| 37 - True | 38 - False | 39 - True |
| 40 - True | 41 - True | 42 - False |
| 43 - True | 44 - True | 45 - False |
| 46 - True | | |

[D] (a) INDIAN STAMP ACT

(i) MULTIPLE CHOICE QUESTIONS

- | | | | |
|-------|-------|-------|-------|
| 1 - D | 2 - D | 3 - D | 4 - C |
| 5 - C | 6 - D | 7 - B | 8 - D |

| | | | |
|--------|--------|--------|--------|
| 9 - D | 10 - A | 11 - B | 12 - C |
| 13 - B | 14 - D | 15 - A | 16 - C |
| 17 - B | 18 - C | 19 - C | 20 - E |
| 21 - B | 22 - B | | |

(II) FILL IN THE BLANKS

- 1 - stamped, adhesive, proper
- 2 - Instrument, recorded
- 3 - signed
- 4 - Execution
- 5 - Marketable security
- 6 - 1st July, 1899
- 7 - Government
- 8 - Adhesive Stamps, RS 0.10
- 9 - out of India
- 10 - unstamped, cancelled
- 11 - name, 'CANCELLED'
- 12 - State Act/Union Territory
- 13 - duty, security, average price
- 14 - state to state
- 15 - stamp duty, state
- 16 - certificates, state
- 17 - duly stamped
- 18 - half percent, market value
- 19 - executing
- 20 - 3 months
- 21 - few states, stamps
- 22 - market value, face value
- 23 - trust, Rs. 5/-
- 24 - Rs. 7.50
- 25 - lost

(iii) TRUE & FALSE QUESTIONS

- | | | |
|-----------|------------|------------|
| 1 - False | 2 - True | 3 - True |
| 4 - False | 5 - False | 6 - True |
| 7 - True | 8 - False | 9 - False |
| 10 - True | 11 - True | 12 - False |
| 13 - True | 14 - False | 15 - True |
| 16 - True | 17 - True | 18 - False |
| 19 - True | 20 - True | 21 - False |
| 22 - True | 23 - False | 24 - True |
| 25 - True | | |

(vi)

Answer Sheet

- 15 - Prospectus, Public, Securities
- 16 - Pivotal
- 17 - Registrar of companies
- 18 - Prospectus, statement, Registrar of companies
- 19 - misrepresentation, ambiguous
- 20 - repudiate, refund of money, damages
- 21 - advertisement
- 22 - share capital, minimum subscription
- 23 - nominal
- 24 - allotment
- 25 - subscription
- 26 - 3 days, listing
- 27 - 10 days
- 28 - 30 days, allotment
- 29 - commission, shares, debentures
- 30 - underwriting, subscribed, pay
- 31 - commission, percentage
- 32 - Broker, intermediary
- 33 - one and one half percent
- 34 - share premium
- 35 - discount, general meeting, Company Law Board

(iii) TRUE & FALSE QUESTIONS

- | | | |
|------------|------------|------------|
| 1 - True | 2 - False | 3 - False |
| 4 - True | 5 - True | 6 - False |
| 7 - False | 8 - True | 9 - True |
| 10 - True | 11 - False | 12 - True |
| 13 - True | 14 - False | 15 - True |
| 16 - False | 17 - False | 18 - True |
| 19 - False | 20 - True | 21 - False |
| 22 - True | 23 - False | 24 - True |
| 25 - False | 26 - False | 27 - True |
| 28 - True | 29 - False | 30 - True |
| 31 - False | | |

[2] VARIOUS KINDS OF SECURITIES - DEBTS/EQUITY

(i) MULTIPLE CHOICE QUESTIONS

- | | | | |
|--------|--------|--------|--------|
| 1 - B | 2 - D | 3 - D | 4 - B |
| 5 - C | 6 - C | 7 - A | 8 - A |
| 9 - B | 10 - C | 11 - A | 12 - D |
| 13 - B | 14 - B | 15 - D | 16 - B |
| 17 - C | 18 - C | 19 - B | 20 - B |
| 21 - B | 22 - A | 23 - A | 24 - B |

(viii)

Answer Sheet

| | | | |
|--------|--------|--------|--------|
| 25 - C | 26 - A | 27 - B | 28 - B |
| 29 - C | 30 - B | 31 - C | 32 - C |
| 33 - C | 34 - B | 35 - D | 36 - C |
| 37 - C | 38 - A | 39 - B | 40 - C |
| 41 - C | 42 - D | 43 - C | 44 - C |
| 45 - B | 46 - C | 47 - B | 48 - B |
| 49 - A | 50 - A | 51 - D | 52 - B |
| 53 - B | 54 - C | 55 - C | 56 - C |
| 57 - D | 58 - D | 59 - B | 60 - C |
| 61 - D | 62 - C | 63 - B | 64 - B |
| 65 - D | 66 - B | 67 - B | 68 - D |
| 69 - B | 70 - C | 71 - A | 72 - B |
| 73 - D | 74 - A | 75 - D | 76 - C |
| 77 - B | 78 - A | 79 - A | 80 - D |
| 81 - B | 82 - C | 83 - A | 84 - B |
| 85 - C | 86 - A | 87 - C | |

(II) FILL IN THE BLANKS

- 1 - Capital Market, funds
- 2 - Debentures, others
- 3 - shares, capital
- 4 - equity shares
- 5 - public issue
- 6 - voting rights, profits
- 7 - preference shares, dividend
- 8 - cumulative, irredeemable, convertible
- 9 - Debentures
- 10 - Debenture, share capital
- 11 - Debentures, Bearer, mortgage
- 12 - unsecured
- 13 - commercial papers, Rs. 5 crores
- 14 - January, 1990
- 15 - Reserve Bank of India
- 16 - 3 months, 6 months
- 17 - commercial papers, Rs. 5 lacs, Rs. 25 lacs
- 18 - Rs. 5 crore
- 19 - listed
- 20 - Banks, underwrite
- 21 - stand by
- 22 - 75%, maximum permissible
- 23 - corporate bodies, un-incorporated
- 24 - Stamp Duty
- 25 - Zero Interest Bonds, Debentures
- 26 - few companies
- 27 - factoring
- 28 - book debts, sales register

- 29 - Deep discount bonds
- 30 - Cumulative, Non-cumulative
- 31 - Debenture with equity
- 32 - secured premium note

(iii) TRUE & FALSE QUESTIONS

- | | | |
|------------|------------|------------|
| 1 - True | 2 - False | 3 - False |
| 4 - True | 5 - False | 6 - False |
| 7 - True | 8 - True | 9 - True |
| 10 - False | 11 - False | 12 - True |
| 13 - False | 14 - False | 15 - True |
| 16 - True | 17 - True | 18 - False |
| 19 - False | 20 - True | 21 - True |
| 22 - False | 23 - True | 24 - False |
| 25 - True | 26 - True | 27 - False |
| 28 - False | 29 - True | 30 - True |
| 31 - False | 32 - True | |

[3] BRIEF KNOWLEDGE ABOUT INTERMEDIARIES

(i) MULTIPLE CHOICE QUESTIONS

- | | | | |
|--------|--------|--------|---------|
| 1 - D | 2 - C | 3 - C | 4 - D |
| 5 - C | 6 - B | 7 - C | 8 - A |
| 9 - A | 10 - C | 11 - B | 12 - C |
| 13 - B | 14 - C | 15 - B | 16 - C |
| 17 - B | 18 - B | 19 - C | 20 - D |
| 21 - C | 22 - A | 23 - D | 24 - A |
| 25 - D | 26 - C | 27 - B | 28 - C |
| 29 - C | 30 - A | 31 - B | 32 - A |
| 33 - D | 34 - C | 35 - A | 36 - A |
| 37 - C | 38 - B | 39 - D | 40 - B |
| 41 - A | 42 - C | 43 - D | 44 - B |
| 45 - C | 46 - B | 47 - B | 48 - B |
| 49 - C | 50 - C | 51 - D | 52 - C |
| 53 - B | 54 - A | 55 - C | 56 - D |
| 57 - C | 58 - C | 59 - D | 60 - D |
| 61 - D | 62 - C | 63 - C | 64 - B |
| 65 - C | 66 - C | 67 - A | 68 - A |
| 69 - B | 70 - D | 71 - B | 72 - C |
| 73 - D | 74 - C | 75 - C | 76 - B |
| 77 - C | 78 - D | 79 - C | 80 - B |
| 81 - B | 82 - C | 83 - C | 84 - B |
| 85 - A | 86 - C | 87 - B | 88 - D |
| 89 - D | 90 - D | 91 - B | 92 - D |
| 93 - D | 94 - C | 95 - A | 96 - A |
| 97 - C | 98 - A | 99 - B | 100 - C |

(x)

Answer Sheet

(ii) FILL IN THE BLANKS

- 1 - Merchant Bankers, Registrar
- 2 - Merchant Bankers, capital issue
- 3 - assist, prospectus
- 4 - advertisement
- 5 - 1992
- 6 - issue management
- 7 - Board
- 8 - 3 years
- 9 - Form A
- 10 - 4 categories.
- 11 - category II
- 12 - Rs. 20,00,000, category III
- 13 - 3 months, renewal
- 14 - Rs. 50 crores.
- 15 - Share Transfer Agents, 1993
- 16 - two categories
- 17 - 1
- 18 - as a share transfer agent, II
- 19 - 1993
- 20 - trust, trustee
- 21 - mutual fund, Indian Trusts Act, 1882
- 22 - 45 days
- 23 - net asset value
- 24 - mutual fund, an auditor

(iii) TRUE & FALSE QUESTIONS

- | | | |
|------------|------------|------------|
| 1 - True | 2 - True | 3 - False |
| 4 - True | 5 - False | 6 - False |
| 7 - True | 8 - True | 9 - False |
| 10 - True | 11 - True | 12 - False |
| 13 - True | 14 - True | 15 - False |
| 16 - True | 17 - False | 18 - True |
| 19 - True | 20 - False | 21 - True |
| 22 - False | 23 - True | 24 - True |

[4] CAPITAL MARKET IN INDIA

(i) MULTIPLE CHOICE QUESTIONS

- | | |
|--------|--------|
| 1 - B | 2 - C |
| 5 - B | 6 - D |
| 9 - B | 10 - D |
| 13 - D | 14 - B |
| 17 - A | 18 - B |
| 21 - C | 22 - C |

| | | | |
|--------|--------|--------|--------|
| 25 - D | 26 - D | 27 - C | 28 - A |
| 29 - A | 30 - C | 31 - A | 32 - C |
| 33 - C | 34 - A | 35 - B | 36 - B |
| 37 - D | 38 - D | 39 - C | 40 - B |
| 41 - C | | | |

(II) FILL IN THE BLANKS

- 1 - 3
- 2 - Primary
- 3 - Merchant Banker
- 4 - scripts
- 5 - member of a stock exchange
- 6 - 23
- 7 - 23
- 8 - first stock exchange
- 9 - purchase, sell
- 10 - order book
- 11 - stock exchange
- 12 - contract

(III) TRUE & FALSE QUESTIONS

- | | | |
|------------|------------|------------|
| 1 - True | 2 - True | 3 - False |
| 4 - True | 5 - False | 6 - True |
| 7 - True | 8 - False | 9 - True |
| 10 - True | 11 - False | 12 - True |
| 13 - False | 14 - True | 15 - False |
| 16 - True | 17 - True | 18 - False |

[5] STOCK PRICES & INDEX

(I) MULTIPLE CHOICE QUESTIONS

- | | | | |
|--------|--------|--------|--------|
| 1 - C | 2 - C | 3 - B | 4 - D |
| 5 - C | 6 - D | 7 - D | 8 - C |
| 9 - D | 10 - D | 11 - D | 12 - C |
| 13 - C | 14 - B | 15 - A | 16 - A |
| 17 - B | 18 - C | 19 - B | 20 - C |

(II) FILL IN THE BLANKS

- 1 - quotations
- 2 - calcutta, ahmedabad.
- 3 - 100, reasonable
- 4 - few
- 5 - company, net asset value
- 6 - January, 1993, controller of capital issues formula
- 7 - paying dividends
- 8 - first time, at par

- 9 - CCI, Co.
- 10 - 51%, shareholders
- 11 - capital reserve, dividend
- 12 - bonus, capitalisation, accumulated reserves.
- 13 - shareholders, company's profit
- 14 - bonus shares
- 15 - bring in line
- 16 - 12
- 17 - free reserves, genuine profits, cash
- 18 - dividend
- 19 - partly paid shares, fully paid up
- 20 - 6 months
- 21 - exceed, authorised share capital
- 22 - value, rights
- 23 - existing
- 24 - notice, number of shares
- 25 - 15 days, not accepted
- 26 - right issue, such manner
- 27 - public offer, letter of offer
- 28 - Registrar of companies
- 29 - 11th June, 1992, 17th June, 1993

(iii) TRUE & FALSE QUESTIONS

- | | | |
|------------|-----------|------------|
| 1 - False | 2 - False | 3 - True |
| 4 - True | 5 - False | 6 - True |
| 7 - False | 8 - False | 9 - True |
| 10 - False | 11 - True | 12 - False |
| 13 - True | 14 - True | 15 - False |
| 16 - False | 17 - True | 18 - False |

[6] SECURITY AND INVESTMENT ANALYSIS

(i) MULTIPLE CHOICE QUESTIONS

- | | | | |
|--------|--------|--------|--------|
| 1 - C | 2 - C | 3 - B | 4 - A |
| 5 - A | 6 - D | 7 - B | 8 - C |
| 9 - A | 10 - B | 11 - A | 12 - D |
| 13 - D | 14 - A | 15 - A | 16 - C |

(ii) FILL IN THE BLANKS

- 1 - stock price
- 2 - general market techniques
- 3 - contrary opinion techniques
- 4 - in, out
- 5 - profits

- 6 - inflow, outflow
- 7 - net working capital
- 8 - current ratio
- 9 - quick ratio
- 10 - net credit sales
- 11 - creditors
- 12 - long term
- 13 - capital ratio
- 14 - profits, earning
- 15 - sales
- 16 - expenses ratio
- 17 - average inventory
- 18 - total asset turnover
- 19 - capital employed
- 20 - cost of goods sold

(iii) TRUE & FALSE QUESTIONS

- | | | |
|------------|------------|------------|
| 1 - True | 2 - False | 3 - True |
| 4 - True | 5 - True | 6 - False |
| 7 - False | 8 - True | 9 - False |
| 10 - False | 11 - True | 12 - True |
| 13 - False | 14 - False | 15 - True |
| 16 - True | 17 - False | 18 - True |
| 19 - True | 20 - False | 21 - True |
| 22 - False | 23 - True | 24 - False |
| 25 - False | 26 - True | 27 - True |
| 28 - True | 29 - False | 30 - False |
| 31 - True | 32 - True | 33 - False |
| 34 - True | 35 - False | 36 - True |
| 37 - False | 38 - True | 39 - False |
| 40 - True | 41 - True | 42 - True |
| 43 - False | 44 - True | 45 - False |
| 46 - True | 47 - True | 48 - True |
| 49 - False | 50 - True | 51 - True |
| 52 - False | 53 - True | 54 - True |

[7] PROCEDURE OF SHARE TRANSFER & STOCK INVEST

(i) MULTIPLE CHOICE QUESTIONS

- | | | | |
|--------|--------|--------|--------|
| 1 - D | 2 - D | 3 - D | 4 - B |
| 5 - D | 6 - C | 7 - D | 8 - D |
| 9 - B | 10 - A | 11 - C | 12 - C |
| 13 - C | 14 - D | 15 - C | 16 - B |
| 17 - B | 18 - C | 19 - D | 20 - D |

| | | | |
|--------|--------|--------|--------|
| 21 - B | 22 - D | 23 - D | 24 - A |
| 25 - D | 26 - D | 27 - C | 28 - B |
| 29 - D | 30 - C | 31 - C | 32 - C |
| 33 - A | 34 - C | 35 - B | 36 - B |
| 37 - B | 38 - C | 39 - B | 40 - D |
| 41 - C | 42 - D | 43 - A | 44 - B |
| 45 - C | 46 - D | 47 - D | 48 - B |
| 49 - A | 50 - C | 51 - D | 52 - D |
| 53 - D | 54 - D | 55 - B | 56 - C |
| 57 - C | 58 - B | 59 - B | 60 - C |
| 61 - D | 62 - D | 63 - D | 64 - D |
| 65 - B | 66 - D | 67 - D | 68 - D |
| 69 - A | 70 - D | 71 - C | 72 - D |
| 73 - A | | | |

(ii) FILL IN THE BLANKS

- 1 - instrument, duly stamped
- 2 - transfer of share, stamp deed
- 3 - forged transfer
- 4 - Form No. 7B
- 5 - transferee
- 6 - contract
- 7 - 12 months, prescribed authority.
- 8 - company, 2 months
- 9 - validity period, transferees, companies
- 10 - Rs 50/-, upto Rs 5000/- Rs 100/-, Rs 5000/-
- 11 - transferee is residing, registered office
- 12 - application, fee
- 13 - transfer of share, transferee
- 14 - 2 months, notice of refusal
- 15 - transferee, 2 months
- 16 - registers of transfer, registers of members
- 17 - endorsed, reverse
- 18 - natural persons, bodies corporate
- 19 - partnership firm, society
- 20 - hindu undivided family, karta
- 21 - arbitrarily
- 22 - company law board, two months
- 23 - seal
- 24 - forfeited, liable, forfeited shares
- 25 - sold of/disposed of
- 26 - equitable charge, company
- 27 - 7 days, register of members
- 28 - contractual obligation
- 29 - State Bank of India

[9] STOCK EXCHANGE TERMINOLOGY

(i) MULTIPLE CHOICE QUESTIONS

| | | | |
|--------|--------|--------|--------|
| 1 - B | 2 - C | 3 - B | 4 - C |
| 5 - A | 6 - D | 7 - B | 8 - C |
| 9 - B | 10 - D | 11 - C | 12 - D |
| 13 - B | 14 - C | 15 - C | 16 - C |
| 17 - C | 18 - D | 19 - C | 20 - B |
| 21 - C | 22 - B | 23 - C | 24 - C |
| 25 - D | 26 - D | 27 - B | 28 - C |
| 29 - C | 30 - D | 31 - D | 32 - D |
| 33 - C | 34 - B | 35 - C | 36 - D |
| 37 - D | 38 - A | 39 - C | 40 - C |
| 41 - A | 42 - D | 43 - C | 44 - B |
| 45 - C | 46 - D | 47 - C | 48 - B |
| 49 - D | 50 - C | 51 - B | 52 - C |
| 53 - C | 54 - A | 55 - C | 56 - C |
| 57 - C | 58 - D | 59 - B | 60 - B |
| 61 - C | 62 - A | 63 - A | 64 - C |
| 65 - A | 66 - B | 67 - D | 68 - C |
| 69 - B | 70 - C | | |

(ii) FILL IN THE BLANKS

- 1 - 1989-90
- 2 - capital market
- 3 - allotment
- 4 - accounting, annual report
- 5 - application money
- 6 - face value, premium
- 7 - equivalent
- 8 - allotment
- 9 - financial
- 10 - bad delivery
- 11 - bar chart
- 12 - Stock Exchange
- 13 - best
- 14 - debt
- 15 - stock market operations
- 16 - Budla charges
- 17 - buyer, stipulated date, buying in
- 18 - transfer deed

- 19 - certain period, book closure
- 20 - boom
- 21 - broker, securities
- 22 - prices, buying
- 23 - company, shareholders
- 24 - capital appreciation
- 25 - shares
- 26 - capitalisation
- 27 - bought, sold
- 28 - convertible securities
- 29 - cumulative
- 30 - current
- 31 - a year
- 32 - capital market
- 33 - cash cow
- 34 - after tax
- 35 - ex-dividend
- 36 - subscribe
- 37 - owners
- 38 - net profits, equity shares
- 39 - shareholders, decisions
- 40 - float
- 41 - resale, floating shares
- 42 - stated time, stated price
- 43 - free reserves, shareholders
- 44 - hammering
- 45 - havala, liabilities, securities
- 46 - hedging
- 47 - voting shares, policy decisions
- 48 - trend
- 49 - illegal activity, profit
- 50 - interim dividend
- 51 - normal hours
- 52 - recognised stock exchange
- 53 - someone else
- 54 - incapable
- 55 - company, shareholders
- 56 - minimum subscription
- 57 - 270 days
- 58 - mega issue
- 59 - Bank
- 60 - investment companies, bank
- 61 - net worth
- 62 - equity shares
- 63 - market lot

- 64 - every day, trading
- 65 - greater, issued shares
- 66 - investors
- 67 - entire issue
- 68 - dividing, earnings
- 69 - primary market
- 70 - official list, permitted securities
- 71 - profit booking
- 72 - prospectus
- 73 - proxy, meeting
- 74 - highest bid, lowest offer
- 75 - dividends, bonus, rights
- 76 - distribution of dividend, record date
- 77 - redemption
- 78 - expansion, modernization, payment of future dividends
- 79 - settlement date, agreed date
- 80 - bid, offer price

(iii) TRUE & FALSE QUESTIONS

- | | | |
|------------|------------|------------|
| 1 - False | 2 - True | 3 - False |
| 4 - True | 5 - True | 6 - False |
| 7 - True | 8 - False | 9 - True |
| 10 - False | 11 - False | 12 - True |
| 13 - True | 14 - False | 15 - False |
| 16 - False | 17 - True | 18 - True |
| 19 - True | 20 - True | 21 - False |
| 22 - True | 23 - False | 24 - False |
| 25 - False | 26 - True | 27 - True |
| 28 - False | 29 - True | 30 - True |
| 31 - False | 32 - True | 33 - True |
| 34 - False | 35 - True | 36 - False |
| 37 - True | 38 - True | 39 - False |
| 40 - False | 41 - True | 42 - False |
| 43 - True | 44 - True | 45 - True |
| 46 - False | 47 - False | 48 - True |
| 49 - False | 50 - False | 51 - True |
| 52 - True | 53 - False | 54 - True |
| 55 - False | 56 - True | 57 - True |
| 58 - False | 59 - True | 60 - False |
| 61 - True | 62 - True | 63 - False |
| 64 - False | 65 - True | 66 - True |
| 67 - True | 68 - False | 69 - True |
| 70 - True | | |

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